

**kemira**

**January-June  
Half-year  
Financial Report  
2019**



## **STRONG EARNINGS IMPROVEMENT CONTINUED IN THE SECOND QUARTER OF 2019**

### **Second quarter**

- Revenue increased by 2% to EUR 663.6 million (647.6) due to a positive currency impact while higher sales prices were offset by lower sales volumes. Revenue in local currencies, excluding acquisitions and divestments, remained at the previous year's level.
- Operative EBITDA increased by 32% to EUR 106.1 million (80.2), by EUR 25.9 million, of which IFRS 16 standard explains EUR 8.3 million. Operative EBITDA margin increased to 16.0% (12.4%). EBITDA increased by 24% to EUR 102.1 million (82.5).
- Operative EBIT increased by 34% to EUR 60.3 million (45.1). EBIT increased by 46% to EUR 56.3 million (38.5). The differences between operative and reported figures are explained by items affecting comparability.
- EPS increased by 54% to EUR 0.22 (0.14) mainly due to higher EBIT.

### **January-June**

- Revenue increased by 4% to EUR 1,311.4 million (1,261.4) as sales price increases and currency exchange rates impacted positively. Revenue in local currencies, excluding acquisitions and divestments, increased by 1%.
- Operative EBITDA increased by 35% to EUR 201.8 million (149.6), by EUR 52.2 million, of which IFRS 16 standard explains EUR 16.0 million. Operative EBITDA margin increased to 15.4% (11.9%). EBITDA increased by 29% to EUR 194.6 million (150.7).
- Operative EBIT increased by 40% to EUR 110.4 million (79.0). EBIT increased by 45% to EUR 103.3 million (71.2). The differences between operative and reported figures are explained by items affecting comparability.
- EPS increased by 43% to EUR 0.40 (0.28) 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:**

"Kemira's strong performance continued in the second quarter. Our focus on value over volume is bearing fruit. Effective price and cost management combined with favorable raw material price development led to operative EBITDA margin of 16.0%.

In Pulp & Paper, operative EBITDA margin improved to 14.4% despite some softness in the short-term market demand. Operationally business is moving ahead with focus on higher value-adding products and increasing capacity where the market demand is high. By the end of the year, we expect to ramp-up the new AKD wax manufacturing site in Yanzhou, China.

In Industry & Water, the combination of higher sales prices and favorable raw material price fluctuations led to an exceptionally high operative EBITDA margin of 18.1% for the segment. Capacity utilization rates are high and the product mix has improved. Specifically in the North American oil & gas business the growth continued at very high rate, partly thanks to the seasonal oil sands tailings treatment business. With regard to growth investments, we expect to ramp-up additional Chemical Enhanced Oil Recovery polymer capacity in the Netherlands during the second half of the year.

In the first half of 2019, Kemira reached operative EBITDA margin of 15.4%, which is within our mid- to long-term 15-17% financial target range. The good progress shows that our strategy execution is on the right track."

## 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 interest cost associated with lease liability. As a result, it is estimated that the impact on EBIT is small positive, whereas the impact on the net profit is immaterial in 2019. Kemira estimated that the adoption of the IFRS 16 accounting standard increases EBITDA margin by approximately 1 percentage point and gearing by approximately 10 percentage points. In 2019, the impact on operative EBITDA due to the adoption of 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 30-31 for more details.

<b>EUR million</b>	<b>Apr-Jun 2019</b>	Apr-Jun 2018	<b>Jan-Jun 2019</b>	Jan-Jun 2018	Jan-Dec 2018
Revenue	<b>663.6</b>	647.6	<b>1,311.4</b>	1,261.4	2,592.8
Operative EBITDA	<b>106.1</b>	80.2	<b>201.8</b>	149.6	323.1
Operative EBITDA, %	<b>16.0</b>	12.4	<b>15.4</b>	11.9	12.5
EBITDA	<b>102.1</b>	82.5	<b>194.6</b>	150.7	314.8
EBITDA, %	<b>15.4</b>	12.7	<b>14.8</b>	11.9	12.1
Operative EBIT	<b>60.3</b>	45.1	<b>110.4</b>	79.0	173.8
Operative EBIT, %	<b>9.1</b>	7.0	<b>8.4</b>	6.3	6.7
EBIT	<b>56.3</b>	38.5	<b>103.3</b>	71.2	148.2
EBIT, %	<b>8.5</b>	5.9	<b>7.9</b>	5.6	5.7
Net profit for the period	<b>35.2</b>	23.5	<b>64.6</b>	46.6	95.2
Earnings per share, EUR	<b>0.22</b>	0.14	<b>0.40</b>	0.28	0.58
Capital employed*	<b>1,901.0</b>	1,754.6	<b>1,901.0</b>	1,754.6	1,781.4
Operative ROCE*, %	<b>10.8</b>	9.7	<b>10.8</b>	9.7	9.8
ROCE*, %	<b>9.5</b>	8.3	<b>9.5</b>	8.3	8.3
Cash flow from operating activities	<b>57.2</b>	23.4	<b>122.4</b>	57.9	210.2
Capital expenditure excl. acquisition	<b>39.9</b>	39.8	<b>68.2</b>	63.0	150.4
Capital expenditure	<b>41.5</b>	37.4	<b>69.9</b>	59.8	193.7
Cash flow after investing activities	<b>16.9</b>	-12.9	<b>56.7</b>	3.5	29.0
Equity ratio, % at period-end	<b>41</b>	43	<b>41</b>	43	44
Equity per share, EUR	<b>7.58</b>	7.42	<b>7.58</b>	7.42	7.80
Gearing, % at period-end	<b>79</b>	67	<b>79</b>	67	62

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

Kemira provides certain financial performance measures (alternative performance measures), which are not defined by IFRS. Kemira believes that alternative performance measures followed by capital markets and Kemira management, such as organic growth (revenue growth in local currencies, excluding acquisitions and divestments), EBITDA, operative EBITDA, cash flow after investing activities as well as gearing, provide useful information about Kemira's comparable business performance and financial position. Selected alternative performance measures are also used as performance criteria in remuneration.

Kemira's alternative performance measures should not be viewed in isolation to the equivalent IFRS measures and alternative performance measures should be read in conjunction with the most directly comparable IFRS measures. Definitions of the alternative performance measures can be found in the definitions of the key figures in this report, as well as at [www.kemira.com](http://www.kemira.com) > Investors > Financial information. All the figures in this interim report have been individually rounded, and consequently the sum of the individual figures may deviate slightly from the sum figure presented.

## FINANCIAL PERFORMANCE IN Q2 2019

**Revenue** increased by 2% due to a positive currency impact while higher sales prices were offset by lower sales volumes. Revenue in local currencies, excluding acquisitions and divestments, was at the previous year's level.

<b>Revenue</b>	<b>Apr-Jun 2019 EUR, million</b>	Apr-Jun 2018 EUR, million	$\Delta\%$	Organic growth*, %	Currency impact, %	Acq. & div. impact, %
Pulp & Paper	373.4	376.0	-1	-3	+2	+1
Industry & Water	290.2	271.7	+7	+4	+2	0
<b>Total</b>	<b>663.6</b>	<b>647.6</b>	<b>+2</b>	<b>+0</b>	<b>+2</b>	<b>0</b>

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

**Operative EBITDA** increased by 32% mainly due to higher sales prices.

<b>Variance analysis, EUR million</b>	<b>Apr-Jun</b>
<b>Operative EBITDA, 2018</b>	<b>80.2</b>
Sales volumes	-6.6
Sales prices	+23.4
Variable costs	+4.8
Fixed costs	-8.8
Adoption of IFRS 16 accounting standard*	+8.3
Currency exchange	+5.7
Others	-0.8
<b>Operative EBITDA, 2019</b>	<b>106.1</b>

\* 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 8.3 million.

<b>Operative EBITDA</b>	<b>Apr-Jun 2019 EUR, million</b>	Apr-Jun 2018 EUR, million	$\Delta\%$	<b>Apr-Jun 2019 %-margin</b>	Apr-Jun 2018 %-margin
Pulp & Paper	53.7	45.4	+18	14.4	12.1
Industry & Water	52.4	34.8	+51	18.1	12.8
<b>Total</b>	<b>106.1</b>	<b>80.2</b>	<b>+32</b>	<b>16.0</b>	<b>12.4</b>

**EBITDA** increased by 24% and the difference to operative EBITDA is explained by items affecting comparability. **Items affecting comparability** includes restructuring costs in Pulp & Paper segment.

<b>Items affecting comparability, EUR million</b>	<b>Apr-Jun 2019</b>	Apr-Jun 2018
<b>Within EBITDA</b>	<b>-4.0</b>	2.3
Pulp & Paper	-2.7	-0.9
Industry & Water	-1.3	3.2
<b>Within depreciation, amortization and impairments</b>	<b>0.0</b>	-8.9
Pulp & Paper	0.0	-0.1
Industry & Water	0.0	-8.8
<b>Total items affecting comparability in EBIT</b>	<b>-4.0</b>	-6.6

**Depreciation, amortization and impairments** were EUR 45.9 million (44.1) including the EUR 7.2 million (0.0) depreciation of right-of-use assets (IFRS 16) and EUR 4.7 million (4.0) amortization of the purchase price allocation. Depreciation, amortization and impairments included in 2018 **items affecting comparability** of EUR -8.9 million related to the closure of a manufacturing unit. The closure was part of the long-term polymer manufacturing optimization in Industry & Water.

**Operative EBIT** increased by 34% mainly due to higher sales prices. **EBIT** increased by 46% and the difference between the two is explained by items affecting comparability.

**Finance costs, net** totaled EUR -10.0 million (-7.4) including interest costs related to lease liabilities. **Income taxes** were EUR -11.1 million (-7.5). **Net profit for the period** increased by 50% mainly due to higher operative EBIT.

## FINANCIAL PERFORMANCE IN JANUARY-JUNE 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-Jun 2019 EUR, million	Jan-Jun 2018 EUR, million	Δ%	Organic growth*, %	Currency impact, %	Acq. & div. impact, %
Pulp & Paper	754.1	744.6	+1	-1	+2	0
Industry & Water	557.2	516.7	+8	+5	+3	0
<b>Total</b>	<b>1,311.4</b>	<b>1,261.4</b>	<b>+4</b>	<b>+1</b>	<b>+2</b>	<b>0</b>

\* Revenue in local currencies, excluding acquisitions and divestments

**Operative EBITDA** increased by 35% mainly due to higher sales prices.

Variance analysis, EUR million	Jan-Jun
<b>Operative EBITDA, 2018</b>	<b>149.6</b>
Sales volumes	-13.6
Sales prices	+57.8
Variable costs	-5.7
Fixed costs	-11.2
Adoption of IFRS 16 accounting standard*	+16.0
Currency exchange	+12.1
Others	-3.2
<b>Operative EBITDA, 2019</b>	<b>201.8</b>

\* 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 16.0 million.

Operative EBITDA	Jan-Jun 2019 EUR million	Jan-Jun 2018 EUR million	Δ%	Jan-Jun 2019 %-margin	Jan-Jun 2018 %-margin
Pulp & Paper	104.4	88.2	+18	13.8	11.8
Industry & Water	97.4	61.4	+59	17.5	11.9
<b>Total</b>	<b>201.8</b>	<b>149.6</b>	<b>+35</b>	<b>15.4</b>	<b>11.9</b>

**EBITDA** increased by 29%, the difference to operative EBITDA is explained by items affecting comparability. **Items affecting comparability** includes restructuring costs in Pulp & Paper segment.

Items affecting comparability, EUR million	Jan-Jun 2019	Jan-Jun 2018
<b>Within EBITDA</b>	<b>-7.2</b>	1.1
Pulp & Paper	-4.5	-1.5
Industry & Water	-2.6	2.7
<b>Within depreciation, amortization and impairments</b>	<b>0.0</b>	-8.9
Pulp & Paper	0.0	-0.1
Industry & Water	0.0	-8.8
<b>Total</b>	<b>-7.2</b>	<b>-7.8</b>

**Depreciation, amortization and impairments** increased to EUR 91.4 million (79.5) including the EUR 13.8 million (0.0) depreciation of right-of-use assets (IFRS 16) and EUR 9.5 million (8.0) amortization of purchase price allocation. Depreciation, amortization and impairments included in 2018 **items affecting comparability** of EUR -8.9 million related to the closure of a manufacturing unit. The closure was part of the long-term polymer manufacturing optimization in Industry & Water.

**Operative EBIT** increased by 40% mainly due to higher sales prices. **EBIT** increased by 45% and the difference between the two is explained by items affecting comparability.

**Finance costs, net** totaled EUR -18.8 million (-11.3), including interest cost related to lease liabilities. The year 2018 included a gain from the sale of shares in power plant companies. **Income taxes** were EUR -19.9 million (-13.3) as a result of higher profit before taxes, the reported tax rate being 24% (22%).

**Net profit for the period** increased by 39% mainly due to higher operative EBIT.



## FINANCIAL POSITION AND CASH FLOW

Cash flow from the operating activities in January-June increased to EUR 122.4 million (57.9) and cash flow after investing activities increased to EUR 56.7 million (3.5) mainly due to higher profitability and the EUR 15 million return of excess capital from Kemira's supplementary Pension Fund in Finland. The adoption of IFRS 16 accounting standard increased cash flow after investing activities by EUR 13.7 million, which is now represented as part of net cash used in financing activities.

At the end of the period, interest-bearing liabilities totaled EUR 1,013 million including lease liabilities of EUR 135 million due to the adoption of the IFRS 16 accounting standard. In the previous year, interest-bearing liabilities amounted to EUR 902 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 (35). Fixed-rate loans accounted for 78% (75%) of the net interest-bearing liabilities including lease liabilities.

Short-term liabilities maturing in the next 12 months amounted to EUR 222 million. On June 30, 2019, cash and cash equivalents totaled EUR 92 million (129). The Group has a EUR 400 million undrawn committed credit facility.

At the end of the period, Kemira Group's net debt was EUR 921 million (773) including lease liabilities of EUR 135 million (0) due to the adoption of IFRS 16 accounting standard. The equity ratio was 41% (43%), while the gearing was 79% (67%).

## CAPITAL EXPENDITURE

In January-June, capital expenditure excluding acquisitions increased by 8% to EUR 68.2 million (63.0). Capital expenditure can be broken down as follows: expansion capex 50% (36%), improvement capex 22% (35%), and maintenance capex 28% (29%). 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-June 2019, total research and development expenses were EUR 14.5 million (14.9), representing 1.1% (1.2%) of the Group's revenue.

## HUMAN RESOURCES

At the end of the period, Kemira Group had 5,067 employees (4,858). Kemira had 858 employees in Finland (861), 1,791 people elsewhere in EMEA (1,783), 1,543 in the Americas (1,551), and 875 in APAC (663).



**CORPORATE RESPONSIBILITY**

**Sustainable products and solutions**



Target	Performance	Comments						
<p><b>Product sustainability</b> Share of revenue from products used for use-phase resource efficiency. At least 50% of Kemira's revenue generated through products improving customers' resource efficiency.</p>	<table border="1"> <tr> <th>Year</th> <th>Performance (%)</th> </tr> <tr> <td>Baseline average 2016-2017</td> <td>49%</td> </tr> <tr> <td>2018</td> <td>51%</td> </tr> </table>	Year	Performance (%)	Baseline average 2016-2017	49%	2018	51%	<p>In Q2 2019 four R&amp;D projects and two joint R&amp;D projects were initiated to improve customer resource efficiency. Other R&amp;D projects aim to improve product quality or safety. In Q2 one R&amp;D project to improve customer phase resource efficiency was commercialized.</p>
Year	Performance (%)							
Baseline average 2016-2017	49%							
2018	51%							



**Responsible operations and supply chain**



Target	Performance	Comments																		
<p><b>Workplace safety</b> Achieve zero injuries on long term; TRIF* 2.0 by 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>2,5</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	2,5	Target 2020	2,0	<p>YTD 2019 TRIF was 2.5. The preventive work with Behaviour Based Safety and using leading indicators like hazardous conditions and activities on a daily basis are beginning to produce results via a lower number of people incidents and decreased severity. EMEA completed face-to-face EHSQ training in June.</p>				
Year	TRIF																			
15	7,2																			
16	3,4																			
17	3,9																			
18	3,5																			
YTD 2019	2,5																			
Target 2020	2,0																			
<p><b>Climate change</b> 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>86</td> </tr> <tr> <td>17</td> <td>85</td> </tr> <tr> <td>18</td> <td>83</td> </tr> <tr> <td>Target 2020</td> <td>80</td> </tr> </table>	Year	Carbon Index	12	100	13	88	14	91	15	93	16	86	17	85	18	83	Target 2020	80	<p>Efforts to decrease the carbon footprint continue with a focus on sourcing a higher share of electricity from low carbon sources. During Q2, Kemira began E3 Energy Reviews at six of our manufacturing plants. Work on developing a longer-term climate change target began in Q2.</p>
Year	Carbon Index																			
12	100																			
13	88																			
14	91																			
15	93																			
16	86																			
17	85																			
18	83																			
Target 2020	80																			
<p><b>Supplier management</b> Share of direct key suppliers screened through sustainability assessments and audits (cumulative %). The target includes 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>The sustainability screening of key suppliers continues as planned. During Q2 two ethical audits and eight new assessments were conducted. At total of 29 suppliers are currently in progress to be evaluated during the second half of the year.</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><b>Employee engagement index based on Voices@Kemira biennial survey</b> The index at or above the external industry norm. The participation rate target in Voices@Kemira is 75% or above.</p>	<table border="1"> <caption>Employee engagement and Participation</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><b>AHEAD OF TARGET</b></p>
Year	Engagement	Participation													
2013	58%	75%													
2015	67%	85%													
2018	71%	84%													
<p><b>Leadership development activities provided</b> Two leadership development activities per 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>Activities</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>494</td> </tr> <tr> <td>2017</td> <td>1,036</td> </tr> <tr> <td>2018</td> <td>1,533</td> </tr> <tr> <td>Target 2020</td> <td>1,500</td> </tr> </tbody> </table>	Year	Activities	2016	494	2017	1,036	2018	1,533	Target 2020	1,500	<p>123 leadership activities in Q2. There is a total of 1,671 leadership activities overall vs the target of 1,500 by year 2020.</p>	<p><b>AHEAD OF TARGET</b></p>		
Year	Activities														
2016	494														
2017	1,036														
2018	1,533														
Target 2020	1,500														
<p><b>Integrity index</b> New KPI to measure compliance with the Kemira Code of Conduct. The target is to maintain the Integrity Index level above the external industry norm.</p>	<table border="1"> <caption>Integrity Index and Participation 2018</caption> <thead> <tr> <th>Metric</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>Integrity Index</td> <td>87%</td> </tr> <tr> <td>Participation</td> <td>84%</td> </tr> </tbody> </table>	Metric	Value	Integrity Index	87%	Participation	84%	<p>Currently at 10% above the external industry norm. Mandatory training on the Kemira Code of Conduct and general awareness-building on GDPR was continued for Kemira employees.</p>	<p><b>IN PROGRESS</b></p>						
Metric	Value														
Integrity Index	87%														
Participation	84%														

## SEGMENTS

### PULP & PAPER

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

EUR million	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Revenue	373.4	376.0	754.1	744.6	1,520.2
Operative EBITDA	53.7	45.4	104.4	88.2	191.7
Operative EBITDA, %	14.4	12.1	13.8	11.8	12.6
EBITDA	51.0	44.6	99.8	86.7	187.8
EBITDA, %	13.7	11.9	13.2	11.6	12.4
Operative EBIT	24.0	22.0	44.6	40.9	91.6
Operative EBIT, %	6.4	5.9	5.9	5.5	6.0
EBIT	21.3	21.1	40.1	39.3	79.8
EBIT, %	5.7	5.6	5.3	5.3	5.2
Capital employed*	1,248.9	1,162.5	1,248.9	1,162.5	1,177.6
Operative ROCE*, %	7.6	8.3	7.6	8.3	7.8
ROCE*, %	6.4	6.9	6.4	6.9	6.8
Capital expenditure excl. M&A	23.3	21.4	40.7	35.6	85.1
Capital expenditure incl. M&A	25.0	19.1	42.3	32.5	128.4
Cash flow after investing activities	36.2	2.3	61.4	22.9	29.9

\*12-month rolling average

### Second quarter

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

In **EMEA**, revenue decreased by 4% partly due to the closure of the non-core detergent business (ECOX). In the **Americas**, revenue increased by 2% due to the positive currency impact. In North America, revenue in local currencies increased mainly in bleaching chemicals and decreased in process and functional chemicals. In South America, revenue in local currencies increased and was driven by higher sales volumes in bleaching and sizing chemicals. In **APAC**, revenue increased by 7%, mainly due to sizing chemicals and polymers. Currencies also had a positive impact in the region.

**Operative EBITDA** increased by 18% mainly due to lower variable costs. **EBITDA** increased by 14% 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 second quarter amounted to EUR 3.2 million in the segment.

### January-June

The segment's **revenue** increased by 1%, as higher sales prices and the positive currency impact more than offset the volume decline. Revenue in local currencies, excluding divestments and acquisitions, decreased by 1% 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 15% 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-June amounted to EUR 6.5 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 and reduced water and energy use.

EUR million	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Revenue	290.2	271.7	557.2	516.7	1,072.6
Operative EBITDA	52.4	34.8	97.4	61.4	131.5
Operative EBITDA, %	18.1	12.8	17.5	11.9	12.3
EBITDA	51.1	38.0	94.8	64.1	127.0
EBITDA, %	17.6	14.0	17.0	12.4	11.8
Operative EBIT	36.3	23.0	65.8	38.1	82.2
Operative EBIT, %	12.5	8.5	11.8	7.4	7.7
EBIT	35.0	17.4	63.2	31.9	68.5
EBIT, %	12.0	6.4	11.3	6.1	6.4
Capital employed*	651.7	591.7	651.7	591.7	603.4
Operative ROCE*, %	16.9	12.6	16.9	12.6	13.6
ROCE*, %	15.3	11.3	15.3	11.3	11.3
Capital expenditure excl. M&A	16.5	18.4	27.5	27.3	65.3
Capital expenditure incl. M&A	16.5	18.4	27.5	27.3	65.3
Cash flow after investing activities	5.7	6.1	33.4	2.0	52.5

\*12-month rolling average

### Second quarter

The segment's **revenue** increased by 7%. Revenue in local currencies, excluding acquisitions and divestments, increased by 4%, driven by higher sales prices. Currency exchange rate fluctuations had an impact of +2%.

Within the segment, the revenue of the Oil & Gas business increased by 36% to EUR 76.6 million (56.3), mainly due to higher sales volumes and sales prices. 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 some lost volumes.

In **EMEA**, revenue increased by 2% due to the focus on implementing higher sales prices. In the **Americas**, revenue increased by 14% mainly due to higher sales prices, especially in the water treatment business. Also the oil and gas business demonstrated strong organic growth. In **APAC**, revenue decreased by 36% as our focus on profitable customers continued.

**Operative EBITDA** increased by 51% mainly due to higher sales prices and favorable polymer raw material price development. **EBITDA** increased by 34% 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 second quarter amounted to EUR 5.0 million in the segment.

### January-June

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 Oil & Gas business increased by 35% to EUR 138.6 million (102.8) due to higher sales prices and volumes. Currencies also had a positive impact. In the water treatment business, focus on improving product and market mix continued leading to higher sales prices and lost volumes.

**Operative EBITDA** increased by 59% as a result of higher sales prices while variable costs increased and sales volumes declined due to focus on improving product mix. **EBITDA** increased by 48% 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-June amounted to EUR 9.4 million in the segment.

## KEMIRA OYJ'S SHARES AND SHAREHOLDERS

On June 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 to one vote at the Annual General Meeting.

At the end of June, Kemira Oyj had 32,919 registered shareholders (34,378 on December 31, 2018). Non-Finnish shareholders held 30% of the shares (27.4%) including nominee-registered holdings. Households owned 15.8% of the shares (17.1%). Kemira held 2,680,589 treasury shares (2,832,297) representing 1.7% (1.8%) of all company shares.

Kemira Oyj's share price increased by 30% from the beginning of the year and closed at EUR 12.94 on the Nasdaq Helsinki at the end of June 2019 (9.85 on December 31, 2018). Shares registered a high of EUR 13.15 and a low of EUR 9.77 in January-June 2019 and the average share price was EUR 11.64. The company's market capitalization, excluding treasury shares, was EUR 1,975 million at the end of June 2019 (1,502).

In January-June 2019, Kemira Oyj's share trading turnover on Nasdaq Helsinki was EUR 253 million (247). The average daily trading volume was 176,484 (184,771) shares. The total volume of Kemira Oyj's share trading in January-June 2019 was 31 million shares (36), 31% (41%) 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 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 the Kemira's short-term risks or uncertainties compared to December 31, 2018. A detailed account of Kemira's risk management principles is available on the company's website at <http://www.kemira.com>. Financial risks are also described in the Notes to the Financial Statements for the year 2018.



## 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, July 18, 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.

Interim Report January-September 2019	October 24, 2019
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

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 Friday, July 19, 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](http://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: 86550162#

## KEMIRA GROUP

### CONSOLIDATED INCOME STATEMENT

	4-6/2019	4-6/2018	1-6/2019	1-6/2018	2018
EUR million					
<b>Revenue</b>	<b>663.6</b>	647.6	<b>1,311.4</b>	1,261.4	2,592.8
Other operating income	1.1	6.4	3.9	7.8	14.8
Operating expenses	-562.5	-571.5	-1,120.6	-1,118.5	-2,292.8
Share of profit or loss of associates	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>102.1</b>	82.5	<b>194.6</b>	150.7	314.8
Depreciation, amortization and impairments	-45.9	-44.1	-91.4	-79.5	-166.6
<b>Operating profit (EBIT)</b>	<b>56.3</b>	38.5	<b>103.3</b>	71.2	148.2
Finance costs, net	-10.0	-7.4	-18.8	-11.3	-25.0
<b>Profit before taxes</b>	<b>46.3</b>	31.1	<b>84.5</b>	59.9	123.3
Income taxes	-11.1	-7.5	-19.9	-13.3	-28.1
<b>Net profit for the period</b>	<b>35.2</b>	23.5	<b>64.6</b>	46.6	95.2
<b>Net profit attributable to</b>					
Equity owners of the parent company	33.6	21.8	61.6	43.1	89.1
Non-controlling interests	1.6	1.8	3.0	3.5	6.1
<b>Net profit for the period</b>	<b>35.2</b>	23.5	<b>64.6</b>	46.6	95.2
Earnings per share, basic and diluted, EUR	0.22	0.14	0.40	0.28	0.58

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	4-6/2019	4-6/2018	1-6/2019	1-6/2018	2018
EUR million					
<b>Net profit for the period</b>	<b>35.2</b>	23.5	<b>64.6</b>	46.6	95.2
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences on translating foreign operations	-5.5	7.6	3.3	-6.4	0.2
Cash flow hedges	-1.2	12.7	-12.9	15.9	17.5
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Other shares	0.0	0.0	0.1	0.0	-5.9
Remeasurements on defined benefit plans	0.0	0.0	0.0	0.0	10.1
<b>Other comprehensive income for the period, net of tax</b>	<b>-6.7</b>	20.3	<b>-9.5</b>	9.5	21.8
<b>Total comprehensive income for the period</b>	<b>28.5</b>	43.8	<b>55.0</b>	56.1	117.0
<b>Total comprehensive income attributable to</b>					
Equity owners of the parent company	26.8	42.7	51.9	53.3	111.4
Non-controlling interests	1.7	1.1	3.1	2.8	5.6
<b>Total comprehensive income for the period</b>	<b>28.5</b>	43.8	<b>55.0</b>	56.1	117.0

## CONSOLIDATED BALANCE SHEET

	6/30/2019	6/30/2018	12/31/2018
<b>EUR million</b>			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	512.6	508.2	512.5
Other intangible assets	107.5	91.9	128.6
Property, plant and equipment	939.9	903.6	938.3
Right-of-use assets	136.9	-	-
Investments in associates	2.3	0.7	0.7
Other shares	228.4	235.8	228.4
Deferred tax assets	35.1	23.8	28.2
Other investments	2.3	2.9	2.3
Receivables of defined benefit plans	46.0	48.0	61.8
<b>Total non-current assets</b>	<b>2,011.1</b>	<b>1,814.9</b>	<b>1,900.7</b>
<b>Current assets</b>			
Inventories	304.0	254.9	283.8
Interest-bearing receivables	0.2	5.0	0.2
Trade receivables and other receivables	413.1	449.2	420.2
Current income tax assets	13.5	16.0	13.9
Cash and cash equivalents	91.6	129.3	144.9
<b>Total current assets</b>	<b>822.4</b>	<b>854.4</b>	<b>863.1</b>
<b>Total assets</b>	<b>2,833.5</b>	<b>2,669.3</b>	<b>2,763.8</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to equity owners of the parent company	1,156.8	1,131.1	1,189.6
Non-controlling interests	14.7	14.8	12.9
<b>Total equity</b>	<b>1,171.5</b>	<b>1,145.9</b>	<b>1,202.5</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	790.4	658.4	646.3
Other liabilities	13.0	21.4	29.0
Deferred tax liabilities	69.1	68.6	71.1
Liabilities of defined benefit plans	81.2	80.7	81.2
Provisions	28.5	27.4	29.6
<b>Total non-current liabilities</b>	<b>982.2</b>	<b>856.5</b>	<b>857.3</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	222.3	243.5	240.0
Trade payables and other liabilities	421.7	405.4	439.1
Current income tax liabilities	26.9	12.7	15.6
Provisions	8.8	5.3	9.2
<b>Total current liabilities</b>	<b>679.7</b>	<b>666.9</b>	<b>703.9</b>
<b>Total liabilities</b>	<b>1,661.9</b>	<b>1,523.4</b>	<b>1,561.2</b>
<b>Total equity and liabilities</b>	<b>2,833.5</b>	<b>2,669.3</b>	<b>2,763.8</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	4-6/2019	4-6/2018	1-6/2019	1-6/2018	2018
<b>EUR million</b>					
<b>Cash flow from operating activities</b>					
Net profit for the period	35.2	23.5	64.6	46.6	95.2
Total adjustments	69.0	53.0	148.4	95.3	219.6
Operating profit before change in net working capital	104.2	76.5	212.9	141.9	314.8
Change in net working capital	-22.1	-31.9	-52.4	-62.5	-51.1
Cash generated from operations before financing items and taxes	82.1	44.7	160.5	79.3	263.7
Finance expenses, net and dividends received	-16.9	-11.4	-23.6	-12.2	-29.9
Income taxes paid	-8.1	-9.9	-14.5	-9.2	-23.6
<b>Net cash generated from operating activities</b>	<b>57.2</b>	<b>23.4</b>	<b>122.4</b>	<b>57.9</b>	<b>210.2</b>
<b>Cash flow from investing activities</b>					
Purchases of subsidiaries and business acquisitions, net of cash acquired	0.0	2.4	0.0	3.2	-43.3
Capital expenditure in associated company	-1.6	0.0	-1.7	0.0	0.0
Other capital expenditure	-39.9	-39.8	-68.2	-63.0	-150.4
Proceeds from sale of assets	1.3	1.1	4.1	5.4	7.3
Decrease (+) / increase (-) in loan receivables	0.0	0.0	0.0	-0.1	5.2
<b>Net cash used in investing activities</b>	<b>-40.2</b>	<b>-36.3</b>	<b>-65.7</b>	<b>-54.4</b>	<b>-181.3</b>
<b>Cash flow from financing activities</b>					
Proceeds from non-current interest-bearing liabilities	0.0	0.0	40.1	90.0	96.2
Repayments of non-current liabilities	-110.6	-5.2	-110.6	-53.7	-69.2
Short-term financing, net increase (+) / decrease (-)	58.5	-1.3	55.2	6.0	10.3
Repayments of lease liabilities	-6.8	-	-13.7	-	-
Dividends paid	-82.2	-82.7	-82.2	-82.7	-87.3
<b>Net cash used in financing activities</b>	<b>-141.2</b>	<b>-89.3</b>	<b>-111.2</b>	<b>-40.4</b>	<b>-50.1</b>
<b>Net decrease (-) / increase (+) in cash and cash equivalents</b>	<b>-124.2</b>	<b>-102.2</b>	<b>-54.5</b>	<b>-36.9</b>	<b>-21.1</b>
Cash and cash equivalents at end of period	91.6	129.3	91.6	129.3	144.9
Exchange gains (+) / losses (-) on cash and cash equivalents	-0.3	1.6	1.2	0.1	-0.1
Cash and cash equivalents at beginning of period	216.2	229.9	144.9	166.1	166.1
<b>Net decrease (-) / increase (+) in cash and cash equivalents</b>	<b>-124.2</b>	<b>-102.2</b>	<b>-54.5</b>	<b>-36.9</b>	<b>-21.1</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, 2019</b>	<b>221.8</b>	<b>257.9</b>	<b>110.2</b>	<b>196.3</b>	<b>-47.1</b>	<b>-19.1</b>	<b>469.6</b>	<b>1,189.6</b>	<b>12.9</b>	<b>1,202.5</b>
Change in accounting policy	-	-	-	-	-	-	-4.9 <sup>1)</sup>	-4.9	-	-4.9
<b>Restated equity on January 1, 2019</b>	<b>221.8</b>	<b>257.9</b>	<b>110.2</b>	<b>196.3</b>	<b>-47.1</b>	<b>-19.1</b>	<b>464.7</b>	<b>1,184.7</b>	<b>12.9</b>	<b>1,197.6</b>
<b>Net profit for the period</b>	-	-	-	-	-	-	<b>61.6</b>	<b>61.6</b>	<b>3.0</b>	<b>64.6</b>
Other comprehensive income, net of tax	-	-	-12.9	-	3.1	-	0.1	-9.7	0.2	-9.5
<b>Total comprehensive income</b>	-	-	<b>-12.9</b>	-	<b>3.1</b>	-	<b>61.7</b>	<b>51.9</b>	<b>3.1</b>	<b>55.0</b>
<b>Transactions with owners</b>										
Dividends paid	-	-	-	-	-	-	-80.9 <sup>2)</sup>	-80.9	-1.3	-82.2
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
Share-based payments	-	-	-	-	-	-	0.1	0.1	-	0.1
<b>Total transactions with owners</b>	-	-	-	-	-	<b>1.1</b>	<b>-80.8</b>	<b>-79.8</b>	<b>-1.3</b>	<b>-81.0</b>
<b>Equity on June 30, 2019</b>	<b>221.8</b>	<b>257.9</b>	<b>97.3</b>	<b>196.3</b>	<b>-44.0</b>	<b>-18.0</b>	<b>445.6</b>	<b>1,156.8</b>	<b>14.7</b>	<b>1,171.5</b>

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

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

Kemira had in its possession 2,680,589 of its treasury shares on June 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.

EUR million	Equity attributable to equity owners of the parent company									
	Share capital	Share premium	Fair value and other reserves	Un-restricted equity reserve	Exchange differences	Treasury shares	Retained earnings	Total	Non-controlling interests	Total Equity
<b>Equity on January 1, 2018</b>	221.8	257.9	98.7	196.3	-47.7	-20.1	452.1	1,159.0	13.8	1,172.8
Change in accounting policy	-	-	-	-	-	-	-0.2 <sup>3)</sup>	-0.2	-	-0.2
<b>Restated equity on January 1, 2018</b>	221.8	257.9	98.7	196.3	-47.7	-20.1	451.9	1,158.8	13.8	1,172.6
<b>Net profit for the period</b>	-	-	-	-	-	-	43.1	43.1	3.5	46.6
Other comprehensive income, net of tax	-	-	15.9	-	-5.7	-	-	10.2	-0.7	9.5
<b>Total comprehensive income</b>	-	-	15.9	-	-5.7	-	43.1	53.3	2.8	56.1
<b>Transactions with owners</b>										
Dividends paid	-	-	-	-	-	-	-80.8 <sup>4)</sup>	-80.8	-1.9	-82.7
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
Share-based payments	-	-	-	-	-	-	-1.3	-1.3	-	-1.3
<b>Total transactions with owners</b>	-	-	-	-	-	1.1	-82.1	-81.0	-1.9	-82.9
<b>Equity on June 30, 2018</b>	221.8	257.9	114.6	196.3	-53.4	-19.0	412.9	1,131.1	14.8	1,145.9

<sup>3)</sup> Kemira adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments standards and the amendments to IFRS 2 Share-based Payments -standard. As a result of the changes in the standards, retained earnings in equity have been adjusted on January 1, 2018. IFRS 15 standard did not change Kemira's revenue recognition principles and thus did not result any adjustments in retained earnings. IFRS 9 standard mainly impacted to Kemira's valuation of loan receivables and credit losses recognition of trade receivables. Due to the change in the accounting policy, retained earnings have been adjusted for a total of EUR -1.0 million. When adopting the amendments to IFRS 2 standard, Kemira has classified share-based payment arrangements as equity-settled in its entirety and liability related to the share-based payment arrangement Kamira has reclassified to retained earnings in equity. As a result of the change in the accounting policy, adjustment of EUR 0.8 million has been recognized in retained earnings. The total effect on equity from loan receivables, trade receivables and share-based payments is EUR -0.2 million including deferred tax effect. Comparative financial periods were not restated.

<sup>4)</sup> A dividend was EUR 80.8 million in total (EUR 0.53 per share) with respect to the financial year ended December 31, 2017. The annual general meeting approved EUR 0.53 dividend on March 21, 2018. The dividend record date was March 23, 2018, and the payment date on April 5, 2018.

## GROUP KEY FIGURES

Kemira provides certain financial performance measures (alternative performance measures), which are not defined by IFRS. Kemira believes that alternative performance measures followed by capital markets and Kemira management, such as organic growth\*, EBITDA, operative EBITDA, cash flow after investing activities as well as gearing, provide useful information about Kemira's comparable business performance and financial position. Selected alternative performance measures are also used as performance criteria in remuneration.

Kemira's alternative performance measures should not be viewed in isolation to the equivalent IFRS measures and alternative performance measures should be read in conjunction with the most directly comparable IFRS measures. Definitions of the alternative performance measures can be found in the Definitions of the key figures in this report, as well as at [www.kemira.com](http://www.kemira.com) > Investors > Financial information.

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

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

	2019	2019	2018	2018	2018	2018	2019	2018	2018
	4-6	1-3	10-12	7-9	4-6	1-3	1-6	1-6	1-12
<b>Income statement and profitability</b>									
Revenue, EUR million	663.6	647.8	661.8	669.6	647.6	613.7	1,311.4	1,261.4	2,592.8
Operative EBITDA, EUR million	106.1	95.6	84.5	89.0	80.2	69.4	201.8	149.6	323.1
Operative EBITDA, %	16.0	14.8	12.8	13.3	12.4	11.3	15.4	11.9	12.5
EBITDA, EUR million	102.1	92.5	81.3	82.8	82.5	68.2	194.6	150.7	314.8
EBITDA, %	15.4	14.3	12.3	12.4	12.7	11.1	14.8	11.9	12.1
Items affecting comparability in EBITDA, EUR million	-4.0	-3.1	-3.2	-6.2	2.3	-1.2	-7.2	1.1	-8.3
Operative EBIT, EUR million	60.3	50.1	44.8	50.0	45.1	33.9	110.4	79.0	173.8
Operative EBIT, %	9.1	7.7	6.8	7.5	7.0	5.5	8.4	6.3	6.7
Operating profit (EBIT), EUR million	56.3	47.0	41.1	35.9	38.5	32.7	103.3	71.2	148.2
Operating profit (EBIT), %	8.5	7.3	6.2	5.4	5.9	5.3	7.9	5.6	5.7
Items affecting comparability in EBIT, EUR million	-4.0	-3.1	-3.7	-14.1	-6.6	-1.2	-7.2	-7.8	-25.6
Amortization and impairments of Intangible assets	-7.4	-7.5	-7.5	-7.8	-6.4	-6.4	-14.9	-12.8	-28.1
Of which purchase price allocation (PPA) related	-4.7	-4.8	-3.9	-3.8	-3.9	-4.0	-9.5	-8.0	-15.7
Depreciations and impairments of Property, plant and equipment	-31.3	-31.3	-32.6	-39.1	-37.7	-29.1	-62.6	-66.8	-138.5
Depreciations of Right-of-use assets	-7.2	-6.6	-	-	-	-	-13.8	-	-
Return on investment (ROI), %	9.7	8.2	7.8	6.5	6.8	6.6	9.0	7.2	7.0
Capital employed, EUR million <sup>1)</sup>	1,901.0	1,843.6	1,781.4	1,759.5	1,754.6	1,753.9	1,901.0	1,754.6	1,781.4
Operative ROCE, %	10.8	10.3	9.8	9.8	9.7	9.7	10.8	9.7	9.8
ROCE, %	9.5	8.8	8.3	8.5	8.3	8.1	9.5	8.3	8.3
<b>Cash flow</b>									
Net cash generated from operating activities, EUR million	57.2	65.2	88.2	64.2	23.4	34.5	122.4	57.9	210.2
Capital expenditure, EUR million	41.5	28.3	97.6	36.3	37.4	22.4	69.9	59.8	193.7
Capital expenditure excl. acquisitions, EUR million	39.9	28.3	53.2	34.3	39.8	23.2	68.2	63.0	150.4
Capital expenditure excl. acquisitions / revenue, %	6.0	4.4	8.0	5.1	6.1	3.8	5.2	5.0	5.8
Cash flow after investing activities, EUR million	16.9	39.8	-3.3	28.8	-12.9	16.4	56.7	3.5	29.0
<b>Balance sheet and solvency</b>									
Equity ratio, %	41.4	38.7	43.5	42.8	43.0	40.5	41.4	43.0	43.5
Gearing, %	78.6	73.6	61.7	65.0	67.4	61.5	78.6	67.4	61.7
Interest-bearing net liabilities, EUR million	921.1	841.6	741.4	744.3	772.6	677.9	921.1	772.6	741.4
<b>Personnel</b>									
Personnel at end of period	5,067	4,973	4,915	4,798	4,858	4,740	5,067	4,858	4,915
Personnel (average)	5,033	4,938	4,839	4,844	4,820	4,736	4,985	4,778	4,810
<b>Key exchange rates at end of period</b>									
USD	1.138	1.124	1.145	1.158	1.166	1.232	1.138	1.166	1.145
CAD	1.489	1.500	1.561	1.506	1.544	1.590	1.489	1.544	1.561
SEK	10.563	10.398	10.255	10.309	10.453	10.284	10.563	10.453	10.255
CNY	7.819	7.540	7.875	7.966	7.717	7.747	7.819	7.717	7.875
BRL	4.351	4.387	4.444	4.654	4.488	4.094	4.351	4.488	4.444
<b>Per share figures, EUR</b>									
Earnings per share (EPS), basic and diluted <sup>2)</sup>	0.22	0.18	0.17	0.14	0.14	0.14	0.40	0.28	0.58
Net cash generated from operating activities per share <sup>2)</sup>	0.37	0.43	0.58	0.42	0.15	0.23	0.80	0.38	1.38
Equity per share <sup>2)</sup>	7.58	7.39	7.80	7.44	7.42	7.13	7.58	7.42	7.80
<b>Number of shares (1,000)</b>									
Average number of shares, basic <sup>2)</sup>	152,658	152,557	152,510	152,510	152,510	152,403	152,608	152,457	152,484
Average number of shares, diluted <sup>2)</sup>	153,036	152,937	152,811	152,754	152,755	152,753	152,987	152,754	152,768
Number of shares at end of period, basic <sup>2)</sup>	152,662	152,651	152,510	152,510	152,514	152,503	152,662	152,514	152,510
Number of shares at end of period, diluted <sup>2)</sup>	153,100	152,938	152,927	152,752	152,758	152,747	153,100	152,758	152,927

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

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



## DEFINITIONS OF KEY FIGURES

### Operative EBITDA

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

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

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

### Operative EBIT

Operating profit (EBIT) +/- items affecting comparability

### Return on investment (ROI), %

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

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

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

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

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

### Capital employed

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

### Net working capital

Inventories + trade receivables + other receivables, excluding derivatives, accrued interest income and other financing items - trade payables - other liabilities, excluding derivatives, accrued interest expenses and other financing items

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

<sup>2)</sup> Average

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

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

### Cash flow after investing activities

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

### Equity ratio, %

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

### Gearing, %

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

### Interest-bearing net liabilities

Interest-bearing liabilities - cash and cash equivalents

### Earnings per share (EPS)

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

### Net cash generated from operating activities per share

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

### Equity per share

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

## RECONCILIATION OF IFRS FIGURES

	2019 4-6	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3	2019 1-6	2018 1-6	2018 1-12
<b>EUR million</b>									
<b>ITEMS AFFECTING COMPARABILITY IN EBITDA AND IN EBIT</b>									
<b>Operative EBITDA</b>	<b>106.1</b>	95.6	84.5	89.0	80.2	69.4	<b>201.8</b>	149.6	323.1
Restructuring and streamlining programs	-1.9	-0.4	-2.7	-5.5	-0.8	0.0	-2.3	-0.8	-8.9
Transaction and integration expenses in acquisition	0.0	-0.5	3.1	0.0	0.0	-0.2	-0.5	-0.3	2.8
Divestment of businesses and other disposals	0.0	0.9	0.0	0.0	5.7	0.0	0.9	5.7	5.7
Other items	-2.1	-3.2	-3.6	-0.8	-2.6	-1.0	-5.3	-3.6	-7.9
<b>Total items affecting comparability</b>	<b>-4.0</b>	-3.1	-3.2	-6.2	2.3	-1.2	<b>-7.2</b>	1.1	-8.3
<b>EBITDA</b>	<b>102.1</b>	92.5	81.3	82.8	82.5	68.2	<b>194.6</b>	150.7	314.8
<b>Operative EBIT</b>	<b>60.3</b>	50.1	44.8	50.0	45.1	33.9	<b>110.4</b>	79.0	173.8
Total items affecting comparability in EBITDA	-4.0	-3.1	-3.2	-6.2	2.3	-1.2	-7.2	1.1	-8.3
Items affecting comparability in depreciation, amortization and impairments	0.0	0.0	-0.5	-7.9	-8.9	0.0	0.0	-8.9	-17.3
<b>Operating profit (EBIT)</b>	<b>56.3</b>	47.0	41.1	35.9	38.5	32.7	<b>103.3</b>	71.2	148.2
<b>ROCE AND OPERATIVE ROCE</b>									
Operative EBIT	60.3	50.1	44.8	50.0	45.1	33.9	110.4	79.0	173.8
Operating profit (EBIT)	56.3	47.0	41.1	35.9	38.5	32.7	103.3	71.2	148.2
Capital employed <sup>1)</sup>	1,901.0	1,843.6	1,781.4	1,759.5	1,754.6	1,753.9	1,901.0	1,754.6	1,781.4
Operative ROCE, %	10.8	10.3	9.8	9.8	9.7	9.7	10.8	9.7	9.8
ROCE, %	9.5	8.8	8.3	8.5	8.3	8.1	9.5	8.3	8.3
<b>NET WORKING CAPITAL</b>									
Inventories	304.0	300.8	283.8	268.6	254.9	237.1	304.0	254.9	283.8
Trade receivables and other receivables	413.1	417.4	420.2	457.3	449.2	423.7	413.1	449.2	420.2
Excluding financing items in other receivables	-16.3	-16.9	-32.5	-33.1	-33.4	-22.2	-16.3	-33.4	-32.5
Trade payables and other liabilities	421.7	522.2	439.1	421.5	405.4	495.2	421.7	405.4	439.1
Excluding financing items in other liabilities	-34.3	-115.5	-28.0	-9.9	-12.3	-96.5	-23.6	-12.3	-28.0
<b>Net working capital</b>	<b>313.4</b>	294.5	260.4	281.1	277.6	240.0	<b>313.4</b>	277.6	260.4
<b>INTEREST-BEARING NET LIABILITIES</b>									
Non-current interest-bearing liabilities	790.4	790.8	646.3	653.1	658.4	758.8	790.4	658.4	646.3
Current interest-bearing liabilities	222.3	266.9	240.0	236.1	243.5	148.9	222.3	243.5	240.0
<b>Interest-bearing liabilities</b>	<b>1,012.7</b>	1,057.8	886.3	889.2	902.0	907.7	<b>1,012.7</b>	902.0	886.3
Cash and cash equivalents	91.6	216.2	144.9	144.9	129.3	229.9	91.6	129.3	144.9
<b>Interest-bearing net liabilities</b>	<b>921.1</b>	841.6	741.4	744.3	772.6	677.8	<b>921.1</b>	772.6	741.4

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

## QUARTERLY SEGMENT INFORMATION

	2019 4-6	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3	2019 1-6	2018 1-6	2018 1-12
EUR million									
<b>Revenue</b>									
Pulp & Paper	373.4	380.8	390.4	385.2	376.0	368.7	754.1	744.6	1,520.2
Industry & Water	290.2	267.0	271.5	284.4	271.7	245.0	557.2	516.7	1,072.6
<b>Total</b>	<b>663.6</b>	<b>647.8</b>	<b>661.8</b>	<b>669.6</b>	<b>647.6</b>	<b>613.7</b>	<b>1,311.4</b>	<b>1,261.4</b>	<b>2,592.8</b>
<b>Operative EBITDA</b>									
Pulp & Paper	53.7	50.7	51.2	52.3	45.4	42.7	104.4	88.2	191.7
Industry & Water	52.4	45.0	33.3	36.7	34.8	26.6	97.4	61.4	131.5
<b>Total</b>	<b>106.1</b>	<b>95.6</b>	<b>84.5</b>	<b>89.0</b>	<b>80.2</b>	<b>69.4</b>	<b>201.8</b>	<b>149.6</b>	<b>323.1</b>
<b>Items affecting comparability in EBITDA</b>									
Pulp & Paper	-2.7	-1.8	1.8	-4.1	-0.9	-0.7	-4.5	-1.5	-3.9
Industry & Water	-1.3	-1.3	-5.0	-2.1	3.2	-0.5	-2.6	2.7	-4.4
<b>Total</b>	<b>-4.0</b>	<b>-3.1</b>	<b>-3.2</b>	<b>-6.2</b>	<b>2.3</b>	<b>-1.2</b>	<b>-7.2</b>	<b>1.1</b>	<b>-8.3</b>
<b>EBITDA</b>									
Pulp & Paper	51.0	48.8	53.0	48.2	44.6	42.1	99.8	86.7	187.8
Industry & Water	51.1	43.7	28.3	34.6	38.0	26.1	94.8	64.1	127.0
<b>Total</b>	<b>102.1</b>	<b>92.5</b>	<b>81.3</b>	<b>82.8</b>	<b>82.5</b>	<b>68.2</b>	<b>194.6</b>	<b>150.7</b>	<b>314.8</b>
<b>Operative EBIT</b>									
Pulp & Paper	24.0	20.6	24.1	26.6	22.0	18.9	44.6	40.9	91.6
Industry & Water	36.3	29.5	20.8	23.4	23.0	15.0	65.8	38.1	82.2
<b>Total</b>	<b>60.3</b>	<b>50.1</b>	<b>44.8</b>	<b>50.0</b>	<b>45.1</b>	<b>33.9</b>	<b>110.4</b>	<b>79.0</b>	<b>173.8</b>
<b>Items affecting comparability in EBIT</b>									
Pulp & Paper	-2.7	-1.8	1.8	-12.0	-1.0	-0.7	-4.5	-1.6	-11.8
Industry & Water	-1.3	-1.3	-5.5	-2.1	-5.6	-0.5	-2.6	-6.1	-13.8
<b>Total</b>	<b>-4.0</b>	<b>-3.1</b>	<b>-3.7</b>	<b>-14.1</b>	<b>-6.6</b>	<b>-1.2</b>	<b>-7.2</b>	<b>-7.8</b>	<b>-25.6</b>
<b>Operating profit (EBIT)</b>									
Pulp & Paper	21.3	18.8	25.8	14.6	21.1	18.2	40.1	39.3	79.8
Industry & Water	35.0	28.2	15.3	21.3	17.4	14.5	63.2	31.9	68.5
<b>Total</b>	<b>56.3</b>	<b>47.0</b>	<b>41.1</b>	<b>35.9</b>	<b>38.5</b>	<b>32.7</b>	<b>103.3</b>	<b>71.2</b>	<b>148.2</b>

## CHANGES IN PROPERTY, PLANT AND EQUIPMENT

	1-6/2019	1-6/2018	2018
<b>EUR million</b>			
<b>Net book value at beginning of period</b>	<b>938.3</b>	922.9	922.9
Purchases of subsidiaries and asset acquisitions	0.0	-	23.3
Increases	64.5	56.5	135.2
Decreases	-1.1	-0.3	-0.3
Depreciation and impairments	-62.6	-66.8	-138.5
Exchange rate differences and other changes	0.8	-8.7	-4.3
<b>Net book value at end of period</b>	<b>939.9</b>	903.6	938.3

## CHANGES IN GOODWILL AND OTHER INTANGIBLE ASSETS

	1-6/2019	1-6/2018	2018
<b>EUR million</b>			
<b>Net book value at beginning of period</b>	<b>630.6 <sup>1)</sup></b>	605.5	605.5
Purchases of subsidiaries and asset acquisitions	-0.8	-	45.9
Increases	3.7	4.1	12.8
Decreases	0.0	0.0	0.0
Amortization and impairments	-14.9	-12.8	-28.1
Exchange rate differences and other changes	1.5	3.2	5.1
<b>Net book value at end of period</b>	<b>620.1</b>	600.1	641.1

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

## CHANGES IN RIGHT-OF-USE ASSETS

	1-6/2019	1-6/2018	2018
<b>EUR million</b>			
<b>Net book value at beginning of period</b>	<b>129.2</b>	-	-
Increases	21.3	-	-
Depreciation and impairments	-13.8	-	-
Exchange rate differences and other changes	0.2	-	-
<b>Net book value at end of period</b>	<b>136.9</b>	-	-

## BUSINESS COMBINATIONS

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

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

## DERIVATIVE INSTRUMENTS

EUR million	6/30/2019		12/31/2018	
	Nominal value	Fair value	Nominal value	Fair value
<b>Currency derivatives</b>				
Forward contracts	374.5	0.4	358.1	0.2
of which cash flow hedge	66.8	-0.2	18.1	0.2
<b>Interest rate derivatives</b>				
Interest rate swaps	145.0	-1.0	245.0	0.4
of which cash flow hedge	145.0	-1.0	145.0	-1.3
of which fair value hedge	-	-	100.0	1.7
<b>Other derivatives</b>				
	GWh	Fair value	GWh	Fair value
Electricity forward contracts, bought	2,131.6	11.5	2,278.1	27.6
of which cash flow hedge	2,131.6	11.5	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	6/30/2019				12/31/2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Fair value hierarchy</b>								
Other shares	-	-	228.4	228.4	-	-	228.4	228.4
Other investments	-	2.3	-	2.3	-	2.3	-	2.3
Currency derivatives	-	2.3	-	2.3	-	2.1	-	2.1
Currency derivatives, hedge accounting	-	0.5	-	0.5	-	0.2	-	0.2
Interest rate derivatives, hedge accounting	-	-	-	-	-	1.7	-	1.7
Other derivatives, hedge accounting	-	12.1	-	12.1	-	27.6	-	27.6
Other receivables	-	0.2	-	0.2	-	0.2	-	0.2
Trade receivables	-	327.5	-	327.5	-	307.3	-	307.3
Cash and cash equivalents	-	91.6	-	91.6	-	144.9	-	144.9
<b>Total</b>	-	<b>436.5</b>	<b>228.4</b>	<b>664.9</b>	-	<b>486.3</b>	<b>228.4</b>	<b>714.7</b>

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

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

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

### Level 3 specification

	Total 6/30/2019	Total 12/31/2018
<b>Instrument</b>		
Carrying value at beginning of period	228.4	235.8
Effect on other comprehensive income	0.1	-7.5
Increases	0.0	0.0
Decreases	0.0	0.0
<b>Carrying value at end of period</b>	<b>228.4</b>	<b>228.4</b>

## FAIR VALUE OF FINANCIAL LIABILITIES

EUR million	6/30/2019				12/31/2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Fair value hierarchy</b>								
Non-current interest-bearing liabilities	-	685.9	-	685.9	-	671.1	-	671.1
Current portion of non-current interest-bearing liabilities	-	10.2	-	10.2	-	110.6	-	110.6
Non-current other liabilities	-	13.0	-	13.0	-	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	-	109.1	-	109.1	-	-	-	-
Current portion of lease liabilities	-	25.7	-	25.7	-	-	-	-
Short-term interest-bearing loans	-	188.3	-	188.3	-	136.0	-	136.0
Other liabilities	-	25.8	-	25.8	-	27.4	-	27.4
Currency derivatives	-	1.7	-	1.7	-	2.2	-	2.2
Currency derivatives, hedge accounting	-	0.7	-	0.7	-	-	-	-
Interest rate derivatives, hedge accounting	-	1.0	-	1.0	-	1.3	-	1.3
Other derivatives, hedge accounting	-	0.6	-	0.6	-	0.0	-	0.0
Trade payables	-	187.1	-	187.1	-	179.9	-	179.9
<b>Total</b>	-	1,259.8	-	1,259.8	-	1,157.6	-	1,157.6

## CONTINGENT LIABILITIES

EUR million	6/30/2019	6/30/2018	12/31/2018
<b>Assets pledged</b>			
On behalf of own commitments	5.3	5.4	5.5
<b>Guarantees</b>			
On behalf of own commitments	49.3	49.9	54.7
On behalf of others	1.7	2.9	2.8
<b>Other obligations</b>			
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 June 30, 2019 were about EUR 63 million for plant investments.

Operating lease commitments under IAS 17 standard	6/30/2018	12/31/2018
Maturity within one year	30.1	34.7
Maturity after one year	150.1	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 related party paid a return surplus of EUR 15 million to Kemira Group companies. Otherwise, the transactions with related parties have not changed materially.

## BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

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

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



## IFRS 16 LEASES

In this interim report 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 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
<b>Lease liability under IFRS 16 recognized on January 1, 2019</b>	<b>126</b>

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

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

## CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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