

**kemira**

# **January-March Interim Report 2018**



## REVENUE GROWTH CONTINUED DESPITE NEGATIVE CURRENCY IMPACT

### Q1 2018

- Revenue increased by 1% to EUR 613.7 million (610.0) despite the negative currency impact as sales volume growth continued in all businesses and sales prices increased partially offsetting higher raw material costs. Revenue in local currencies, excluding acquisitions and divestments, increased by 7%.
- Operative EBITDA increased by 1% to EUR 69.4 million (69.0) mainly due to sales volume growth and higher sales prices, which offset increases in variable costs. Negative currency impact was approximately EUR 7 million. Operative EBITDA margin was 11.3% (11.3%).
- EBITDA increased by 2% to EUR 68.2 million (66.7).
- EPS increased to EUR 0.14 (0.12) due to lower net finance costs, which included EUR 3.6 million gain from the sale of shares in power plant companies.

### Outlook for 2018 (unchanged)

Kemira expects its operative EBITDA to increase from the prior year (2017: EUR 311.3 million).

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

"The year started with strong organic growth. I am pleased about the sales volume growth development but sales price increases need to be faster implemented to offset increasing raw material prices. Profitability remained at the level of the previous year due to the higher raw material prices and unfavorable currencies, especially higher EUR/USD rate was headwind to our reported figures.

In Pulp & Paper, we had organic growth of 5% in the first quarter which is a good achievement compared to market growth. Especially our performance in EMEA region was strong while the North American market remains challenging. In APAC we are growing, but profitability is a challenge. We look forward to the closing of the joint venture deal in China, which will further strengthen our position in the market and improve profitability. The closing of the deal is estimated to be completed by the end of the second quarter. In the pulp and paper market, the global market trend is positive, helped for example by e-commerce megatrend driving need for packaging. Kemira is well positioned in the value chain helping board producers to create lighter and stronger packaging materials. Growing demand is beneficial also for Kemira's bleaching business as pulp is the intermediate product for board producers.

Industry & Water continued its organic growth by growing 11%, driven by the North American oil and gas market. Operative EBITDA margin increased mainly with the help of higher sales prices. The implementation of the multi-year CEOR agreement with Chevron has started. The related polymer capacity addition is being built in the Netherlands, as announced in October 2017 and is progressing well. The global megatrend to make better use of remaining oil reserves is opening up new opportunities, since Kemira's polymers can be used to prolong the operating life of oil fields.

In 2018, Kemira expects its operative EBITDA to increase from the prior year."

## KEY FIGURES AND RATIOS

EUR million	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017
Revenue	613.7	610.0	2,486.0
Operative EBITDA	69.4	69.0	311.3
Operative EBITDA, %	11.3	11.3	12.5
EBITDA	68.2	66.7	282.4
EBITDA, %	11.1	10.9	11.4
Operative EBIT	33.9	34.9	170.3
Operative EBIT, %	5.5	5.7	6.9
EBIT	32.7	32.6	141.4
EBIT, %	5.3	5.3	5.7
Finance costs, net	-3.9	-6.7	-28.9
Profit before taxes	28.8	26.1	112.6
Net profit for the period	23.0	19.8	85.2
Earnings per share, EUR	0.14	0.12	0.52
Capital employed*	1,753.9	1,736.8	1,763.2
Operative ROCE*, %	9.7	9.5	9.7
ROCE*, %	8.1	8.1	8.0
Cash flow from operating activities	34.5	12.2	205.1
Capital expenditure excl. acquisition	23.2	36.9	190.1
Capital expenditure	22.4	36.9	190.1
Cash flow after investing activities	16.4	-24.6	13.0
Equity ratio, % at end of period	41	43	44
Equity per share, EUR	7.13	7.24	7.61
Gearing, % at end of period	61	59	59
Personnel at end of period	4,740	4,771	4,732

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

Kemira provides certain financial performance measures (alternative performance measures) on a non-GAAP basis. Kemira believes that alternative performance measures, such as organic growth\*, EBITDA, operative EBITDA, cash flow after investing activities, and gearing, followed by capital markets and Kemira management, provide useful information of its comparable business performance and financial position. Selected alternative performance measures are also used as performance criteria in remuneration.

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

All the figures in this interim report have been individually rounded, and consequently the sum of individual figures may deviate slightly from the sum figure presented.

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

## FINANCIAL PERFORMANCE IN JANUARY-MARCH 2018

**Revenue** increased by 1% despite the negative currency impact as sales volume growth continued in all businesses and sales prices increased partially offsetting higher raw material costs. Revenue in local currencies, excluding acquisitions and divestments, increased by 7%.

Revenue	Jan-Mar 2018 EUR, million	Jan-Mar 2017 EUR, million	Δ%	Organic growth*, %	Currency impact, %	Acq. and div. impact, %
Pulp & Paper	368.7	372.2	-1	+5	-6	0
Industry & Water	245.0	237.8	+3	+11	-8	0
<b>Total</b>	<b>613.7</b>	<b>610.0</b>	<b>+1</b>	<b>+7</b>	<b>-7</b>	<b>0</b>

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

**Operative EBITDA** increased by 1% mainly due to sales volume growth and higher sales prices, which offset increases in variable costs. Negative currency impact was approximately EUR 7 million.

Variance analysis, EUR million	Jan-Mar
<b>Operative EBITDA, 2017</b>	<b>69.0</b>
Sales volumes	+8.3
Sales prices	+23.4
Variable costs	-25.9
Fixed costs	+0.6
Currency exchange	-7.0
Others	+0.9
<b>Operative EBITDA, 2018</b>	<b>69.4</b>

Operative EBITDA	Jan-Mar 2018 EUR, million	Jan-Mar 2017 EUR, million	Δ%	Jan-Mar 2018 %-margin	Jan-Mar 2017 %-margin
Pulp & Paper	42.7	46.0	-7	11.6	12.4
Industry & Water	26.6	22.9	+16	10.9	9.6
<b>Total</b>	<b>69.4</b>	<b>69.0</b>	<b>+1</b>	<b>11.3</b>	<b>11.3</b>

**EBITDA** increased by 2% and the difference to operative EBITDA is explained by items affecting comparability. **Items affecting comparability** in the previous year were mainly related to organizational restructuring.

Items affecting comparability, EUR million	Jan-Mar 2018	Jan-Mar 2017
<b>Within EBITDA</b>	<b>-1.2</b>	<b>-2.3</b>
Pulp & Paper	-0.7	-0.9
Industry & Water	-0.5	-1.4
<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>-1.2</b>	<b>-2.3</b>

**Depreciation, amortization and impairments** were EUR 35.5 million (34.0) including EUR 4.0 million (4.3) amortization of purchase price allocation.

**Operative EBIT** decreased by 3% mainly due to higher depreciation. **EBIT** remained at the level of the previous year, and the difference between the two is explained by items affecting comparability.

**Finance costs, net** totaled EUR -3.9 million (-6.7), and included a gain from the sale of shares in power plant companies. **Income taxes** were to EUR -5.8 million (-6.3). **Net profit for the period** increased by 16% mainly due to the lower finance costs.

## FINANCIAL POSITION AND CASH FLOW

Cash flow from the operating activities in January-March increased to EUR 34.5 million (12.2) and cash flow after investing activities increased to EUR 16.4 million (-24.6) mainly due to change in net working capital and lower taxes paid. Cash flow after investing activities was also positively impacted by lower capital expenditure.

At the end of the period, interest-bearing liabilities totaled EUR 908 million (792). The average interest rate of the Group's interest-bearing liabilities was 2.0% (2.0%). The duration of the Group's interest-bearing loan portfolio was 37 months (24). Fixed-rate loans accounted for 87% (64%) of the net interest-bearing liabilities.

Short-term liabilities maturing in the next 12 months amounted to EUR 149 million. On March 31, 2018, cash and cash equivalents totaled EUR 230 million. In February, Kemira raised funding of EUR 90 million with a seven-year loan agreement with Nordic Investment Bank. Also in March, Kemira signed with European Investment Bank a six-year loan for USD 50 million, which can be raised within 12 months after signing. In addition the Group has an undrawn EUR 400 million revolving credit facility.

At the end of the period, Kemira Group's net debt was EUR 678 million (661). The equity ratio was 41% (43%), while the gearing was 61% (59%).

## CAPITAL EXPENDITURE

In January-March, capital expenditure excluding acquisitions decreased by 37% to EUR 23.2 million (36.9). Capital expenditure can be broken down as follows: expansion capital expenditure 31% (47%), improvement capex 38% (28%), and maintenance capex 31% (25%).

## RESEARCH AND DEVELOPMENT

In January-March 2018, total research and development expenses were EUR 7.5 million (8.1), representing 1.2% (1.3%) of the Group's revenue.

## HUMAN RESOURCES

At the end of the period, Kemira Group had 4,740 employees (4,771). Kemira had 801 employees in Finland (800), 1,752 people elsewhere in EMEA (1,790), 1,531 in the Americas (1,554), and 656 in APAC (627).

## CORPORATE RESPONSIBILITY

In 2017, we reviewed our corporate responsibility program to reflect the most material economic, environmental and social impacts through our business model. In the active management of corporate responsibility, we focus on three priority areas: sustainable products and solutions (target to be defined during 2018), responsible operations and supply chain, and people and integrity. These three priorities cover the six most material topics, which relate to products improving our customer sustainability, chemical safety management throughout its lifecycle, responsible management of our own operations, responsible performance and good governance throughout our supply chains, engagement and skills development of our employees, and responsible business practices in our own operations or with our business partners.

### Responsible operations and supply chain



Target	Performance	Comments															
<b>Climate change</b> Kemira Carbon Index ≤ 80 by end of 2020 (2012 = 100). This KPI is reported once a year.	<table><tr><th>Year</th><th>Carbon Index</th></tr><tr><td>12</td><td>100</td></tr><tr><td>14</td><td>91</td></tr><tr><td>16</td><td>86</td></tr><tr><td>17</td><td>85</td></tr><tr><td>Target 2020</td><td>80</td></tr></table>	Year	Carbon Index	12	100	14	91	16	86	17	85	Target 2020	80	<b>Comments</b> Sourcing of low carbon energy, especially carbon-free electricity, continued according to plan. As part of the E3 Plus program, four Energy Review site visits were performed during Q1 2018. Until now, the performed energy reviews cover more than 90% of Kemira's total energy consumption. Additionally, internal Energy Management Audits were carried out in Joutseno and Helsinki.	IN PROGRESS		
Year	Carbon Index																
12	100																
14	91																
16	86																
17	85																
Target 2020	80																
<b>People safety</b> Achieve zero injuries on long term; TRIF* 2.0 by end of 2020.	<table><tr><th>Year</th><th>TRIF</th></tr><tr><td>14</td><td>5.8</td></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>Q1 18</td><td>4.5</td></tr><tr><td>Target 2020</td><td>2.0</td></tr></table>	Year	TRIF	14	5.8	15	7.2	16	3.4	17	3.9	Q1 18	4.5	Target 2020	2.0	<b>Comments</b> Slight increase in the number of TRIs compared to last year. Safety campaign and critical safety standard implementation initiated this quarter helps to reduce TRIs going forward. No single reason for increase of incidents identified.	BEHIND TARGET
Year	TRIF																
14	5.8																
15	7.2																
16	3.4																
17	3.9																
Q1 18	4.5																
Target 2020	2.0																
<b>Supplier management</b> % 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.	<table><tr><th>Metric</th><th>2017</th><th>2018 Q1</th><th>Target 2022</th></tr><tr><td>% of key suppliers</td><td>55%</td><td>60%</td><td>90%</td></tr><tr><td># of audits</td><td>8</td><td>8</td><td>35</td></tr></table>	Metric	2017	2018 Q1	Target 2022	% of key suppliers	55%	60%	90%	# of audits	8	8	35	<b>Comments</b> Target scope expanded to cover both supplier sustainability assessments and audits.	IN PROGRESS		
Metric	2017	2018 Q1	Target 2022														
% of key suppliers	55%	60%	90%														
# of audits	8	8	35														



## People and integrity

Target	Performance	Comments															
<b>Employee engagement index based on Voices@Kemira biennial survey</b> The index at or above the external industry norm. Participation rate in Voices@Kemira 75% or above.	<table><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>2017</td><td></td><td></td></tr><tr><td>2018</td><td></td><td></td></tr></tbody></table>	Year	Engagement	Participation	2013	58%	75%	2015	67%	85%	2017			2018			Global people employee engagement survey Voices@Kemira was postponed from autumn 2017 until Q2 2018.
Year	Engagement	Participation															
2013	58%	75%															
2015	67%	85%															
2017																	
2018																	
<b>Leadership development activities provided, average</b> Two (2) leadership development activities per people manager position during 2016-2020, cumulative target 1500 by 2020.	<table><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 Q1</td><td>1,147</td></tr><tr><td>Target 2020</td><td>1,500</td></tr></tbody></table>	Year	Activities Provided	2016	494	2017	1,036	2018 Q1	1,147	Target 2020	1,500	Overall we are tracking well to achieve target. Cumulative figure by the end of Q1 2018 is 1,147.					
Year	Activities Provided																
2016	494																
2017	1,036																
2018 Q1	1,147																
Target 2020	1,500																

BEHIND TARGET

IN PROGRESS

BEHIND TARGET

IN PROGRESS

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

\*\* suppliers with lowest sustainability assessment score



## SEGMENTS

### PULP & PAPER

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

EUR million	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017
Revenue	368.7	372.2	1,476.9
Operative EBITDA	42.7	46.0	197.7
Operative EBITDA, %	11.6	12.4	13.4
EBITDA	42.1	45.1	179.9
EBITDA, %	11.4	12.1	12.2
Operative EBIT	18.9	23.8	104.8
Operative EBIT, %	5.1	6.4	7.1
EBIT	18.2	22.9	86.9
EBIT, %	4.9	6.2	5.9
Capital employed*	1,165.2	1,127.2	1,165.2
Operative ROCE*, %	8.6	9.5	9.0
ROCE*, %	7.1	8.7	7.5
Capital expenditure excl. M&A	14.2	29.8	138.3
Capital expenditure incl. M&A	13.4	29.8	138.3
Cash flow after investing activities	20.5	-22.9	15.7

\*12-month rolling average

Segment's **revenue** decreased by 1%. Currency exchange rates had a -6% impact on revenue. Revenue in local currencies, excluding acquisitions and divestments, increased 5% as sales volume growth continued, especially in pulp chemicals supported by the start-up of new capacity in Joutseno.

In **EMEA**, revenue increased 9% mainly due to sales volume growth. The new sodium chlorate capacity addition in Joutseno, Finland, had a positive impact to revenue growth. In the **Americas**, revenue decreased by 14% due to the strong negative currency impact. In North America, revenue declined in a challenging market for process and functional chemicals. In South America, good growth continued in pulp chemicals while sales volumes decreased in paper chemicals. In **APAC**, revenue decreased by 3% due to currencies but organic growth was at good level. The demand for sodium chlorate and process chemicals was strong.

**Operative EBITDA** decreased by 7% as organic growth impact was more than offset by higher variable costs and the negative currency impact. **EBITDA** also decreased by 7%.

## INDUSTRY & WATER

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

EUR million	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017
Revenue	245.0	237.8	1,009.1
Operative EBITDA	26.6	22.9	113.6
Operative EBITDA, %	10.9	9.6	11.3
EBITDA	26.1	21.5	102.5
EBITDA, %	10.7	9.0	10.2
Operative EBIT	15.0	11.1	65.5
Operative EBIT, %	6.1	4.7	6.5
EBIT	14.5	9.7	54.4
EBIT, %	5.9	4.1	5.4
Capital employed*	588.3	608.3	596.7
Operative ROCE*, %	11.8	9.4	11.0
ROCE*, %	10.1	7.0	9.1
Capital expenditure excl. M&A	9.0	7.1	51.7
Capital expenditure incl. M&A	9.0	7.1	51.7
Cash flow after investing activities	-4.0	9.2	46.9

\*12-month rolling average

Segment's **revenue** increased by 3%. Revenue in local currencies, excluding acquisitions and divestments, increased by 11%, driven by higher sales prices and sales volume growth. Currency exchange rate fluctuations had an impact of -8%.

Within the segment, revenue of the Oil & Gas business increased by 21% to EUR 46.4 million (38.3) as a result of strong demand in the North American shale oil and gas market. In the water treatment business, volume growth continued.

In **EMEA**, revenue increased by 8%, driven by higher demand for multiple product lines. Also sales prices increased following higher raw material costs. The currency impact was negative. In the **Americas**, revenue decreased by 3% due to currency exchange rates but organic growth was above 10%. Majority of the growth is driven by the North American shale oil and gas business. In **APAC**, revenue increased by 12% due to strong sales volume growth in water treatment chemicals, albeit from a small base. Currency exchange rates and lower sales prices had a negative impact on revenue.

**Operative EBITDA** increased by 16% as growth in sales volumes and prices more than offset the increase in variable costs. Profitability is impacted by margin-dilutive growth areas (CEOR and oil sands) but these are expected to contribute positively to the margin once businesses are scaled up and optimized.

**EBITDA** increased by 21% and the difference to operative EBITDA is explained by items affecting comparability, which were related to restructuring expenses in the previous year.

## KEMIRA OYJ'S SHARES AND SHAREHOLDERS

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

At the end of March, Kemira Oyj had 35,815 registered shareholders (35,571 on December 31, 2017). Non-Finnish shareholders held 26.4% of the shares (25.8%) including nominee-registered holdings. Households owned 18.3% of the shares (17.9%). Kemira held 2,839,607 treasury shares (2,988,935) representing 1.8% (1.9%) of all company shares.

Kemira Oyj's share price decreased by 10% since the beginning of the year and closed at EUR 10.40 on the Nasdaq Helsinki at the end of March 2018 (11.50 on December 31, 2017). Shares registered a high of EUR 12.03 and a low of EUR 10.08 in January-March 2018. The average share price was EUR 11.25. The company's market capitalization, excluding treasury shares, was EUR 1,586 million at the end of March 2018 (1,752 on December 31, 2017).

In January-March 2018, Kemira Oyj's share trading turnover on Nasdaq Helsinki was EUR 127 million (January-March 2017: 127). The average daily trading volume was 180,101 (166,961) shares. The total volume of Kemira Oyj's share trading in January-March 2018 was 18 million shares (16), 38% (32%) of which was executed on other trading platforms (BATS, Chi-X, Turquoise). Source: Nasdaq and Kemira.com.

## DECISIONS BY THE ANNUAL GENERAL MEETING

Kemira Oyj's Annual General Meeting, held on March 21, 2018, decided on the dividend of EUR 0.53 per share. The dividend was paid out on April 5, 2018. The Annual General Meeting elected six members to the Board of Directors. Annual General Meeting re-elected Wolfgang Büchele, Shirley Cunningham, Kaisa Hietala, Timo Lappalainen, Jari Paasikivi, and Kerttu Tuomas. Jari Paasikivi was re-elected as the Chairman of the Board and Kerttu Tuomas was re-elected to continue as the Vice Chairman.

The AGM 2018 authorized the Board of Directors to decide upon the repurchase of a maximum of 4,950,000 company's own shares ("Share repurchase authorization"). Shares will be repurchased by using unrestricted equity, either through a tender offer with equal terms to all shareholders at a price determined by the Board of Directors or otherwise than in proportion to the existing shareholdings of the company's shareholders in public trading on the Nasdaq Helsinki Ltd. (the "Helsinki Stock Exchange") at the market price quoted at the time of repurchase.

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

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

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

retained, transferred further or cancelled by the company. The Board of Directors will decide on other terms related to the share repurchase. The Share repurchase authorization is valid until the end of the next Annual General Meeting.

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

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

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

The subscription price of new shares shall be recorded to the invested unrestricted equity reserves. The consideration payable for company's own shares shall be recorded to the invested unrestricted equity reserves. The Board of Directors will decide on other terms related to the share issues. The Share issue authorization is valid until May 31, 2019.

The AGM elected Deloitte Ltd as the company's auditor, with Jukka Vattulainen, Authorized Public Accountant, acting as the principal auditor.

## **BOARD COMMITTEES**

On March 21, 2018, the Board of Directors of Kemira Oyj elected members among themselves for the Audit Committee and the Personnel and Remuneration Committee. The Board's Audit Committee members are Kaisa Hietala, Timo Lappalainen, and Jari Paasikivi. The Audit Committee is chaired by Timo Lappalainen. The Board's Personnel and Remuneration Committee members are Timo Lappalainen, Jari Paasikivi, and Kerttu Tuomas. The Personnel and Remuneration Committee is chaired by Jari Paasikivi.

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

On January 30, 2017, an extensive fire occurred at the Huntsman Pigments (currently Venator) plant in Pori, Finland. Kemira's facilities at the site were not directly exposed, and nobody was injured. Venator is a key raw material supplier for Kemira's iron coagulant production. Venator also purchases chemicals and energy from Kemira.

Venator commented the situation at Pori site in conjunction with their full year 2017 results in February: "Construction for the specialty and differentiated products portion of the facility is on pace and we expect it to be complete by the end of 2018, however we are paying a fast-track premium. Prior to the fire, this part of the facility represented 60% of site capacity and contributed, on average, 75% of the site EBITDA. Current

TiO<sub>2</sub> business conditions are favorable and provide compelling economics for the rebuild of the remaining 40% commodity portion of site capacity. However, this part of the rebuild program will not be accelerated and capacity will be reintroduced to the market no sooner than 2020.”

For Kemira, the incident will mean revenue loss, extra costs and risks related to the availability and usability of alternative raw materials. Kemira estimates that the revenue loss will be approximately EUR 20 million in 2018 and the negative EBITDA impact (before insurance coverage) is expected to be up to EUR 1-2 million per quarter due to increased costs and loss of revenue. Kemira has a limit of business interruption insurance coverage of EUR 10 million / 18 months per incident for critical suppliers. The negative EBITDA impact before insurance coverage was around EUR 6 million in 2017, EUR 2 million in the first quarter of 2018, and the insurance compensation covered almost all of the gross margin loss.

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 2017.

## **OTHER EVENTS DURING THE REVIEW PERIOD**

On February 19, 2018 Kemira and the Nordic Investment Bank (NIB) signed a EUR 90 million loan agreement for Kemira's completed expansion of chlorate production in Joutseno, Finland as well as investments in research and development in the 2016-2019 period.

## **EVENTS AFTER THE REVIEW PERIOD**

On April 5, 2018 Kemira announced that it has signed a multiyear agreement with Chevron North Sea Limited for the supply of polymers. On the back of this agreement, Kemira initiated an expansion of its polymer capacity for Chemical Enhanced Oil Recovery (CEOR) at its existing site at Botlek, the Netherlands, as announced in October 2017.

## **OUTLOOK FOR 2018 (UNCHANGED)**

Kemira expects its operative EBITDA to increase from the prior year (2017: EUR 311.3 million).

## **MID- AND LONG-TERM FINANCIAL TARGETS (UNCHANGED)**

Kemira aims at above-the-market revenue growth with operative EBITDA margin of 14-16%. The gearing target is below 60%.

Helsinki, April 26, 2018

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 2018**

Half-Year Financial Report January-June 2018  
Interim Report January-September 2018

July 20, 2018  
October 24, 2018

## **PRESS AND ANALYST CONFERENCE AND CONFERENCE CALL**

Kemira will arrange a press conference for the analysts, investors, and media on Friday, April 27, 2018, starting at 10.30 am (8.30 am UK time) at GLO Hotel Kluuvi, Kluuvikatu 4, 2nd Floor, Helsinki. During the conference, Kemira's President and CEO Jari Rosendal and CFO Petri Castrén will present the results. The press conference will be held in English and will be webcasted at [www.kemira.com/investors](http://www.kemira.com/investors). The presentation material and the webcast recording will be available on the above-mentioned company website.

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

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UK +44 330 336 9104  
US +1 323 794 2095

Conference ID: 633021

## KEMIRA GROUP

### CONSOLIDATED INCOME STATEMENT

	1-3/2018	1-3/2017	2017
<b>EUR million</b>			
<b>Revenue</b>	<b>613.7</b>	610.0	2,486.0
Other operating income	1.4	1.1	6.8
Operating expenses	-547.0	-544.5	-2,210.4
<b>EBITDA</b>	<b>68.2</b>	66.7	282.4
Depreciation, amortization and impairments	-35.5	-34.0	-141.0
<b>Operating profit (EBIT)</b>	<b>32.7</b>	32.6	141.4
Finance costs, net	-3.9	-6.7	-28.9
Share of profit or loss of associates	0.0	0.1	0.2
<b>Profit before taxes</b>	<b>28.8</b>	26.1	112.6
Income taxes	-5.8	-6.3	-27.4
<b>Net profit for the period</b>	<b>23.0</b>	19.8	85.2
<b>Net profit attributable to</b>			
Equity owners of the parent	21.3	18.3	78.6
Non-controlling interests	1.7	1.6	6.6
<b>Net profit for the period</b>	<b>23.0</b>	19.8	85.2
Earnings per share, basic and diluted, EUR	0.14	0.12	0.52

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1-3/2018	1-3/2017	2017
<b>EUR million</b>			
<b>Net profit for the period</b>	<b>23.0</b>	19.8	85.2
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Other shares	-	0.0	24.0
Exchange differences on translating foreign operations	-14.0	0.4	-46.4
Cash flow hedges	3.2	-5.0	3.4
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Other shares	0.0	-	-
Remeasurements on defined benefit plans	0.0	0.0	9.6
<b>Other comprehensive income for the period, net of tax</b>	<b>-10.8</b>	-4.6	-9.4
<b>Total comprehensive income for the period</b>	<b>12.2</b>	15.2	75.8
<b>Total comprehensive income attributable to</b>			
Equity owners of the parent	10.5	13.3	68.7
Non-controlling interests	1.7	1.9	7.2
<b>Total comprehensive income for the period</b>	<b>12.2</b>	15.2	75.8

## CONSOLIDATED BALANCE SHEET

	3/31/2018	3/31/2017	12/31/2017
<b>EUR million</b>			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	501.3	520.9	505.0
Other intangible assets	95.1	111.5	100.5
Property, plant and equipment	903.0	921.5	922.9
Investments in associates	0.7	1.4	0.7
Other shares	235.8	202.5	235.8
Deferred tax assets	26.8	29.1	24.8
Other investments	2.7	4.4	3.8
Receivables of defined benefit plans	48.0	31.9	48.0
<b>Total non-current assets</b>	<b>1,813.3</b>	<b>1,823.3</b>	<b>1,841.5</b>
<b>Current assets</b>			
Inventories	237.1	230.2	223.8
Interest-bearing receivables	5.0	0.3	5.3
Trade receivables and other receivables	423.7	412.8	418.8
Current income tax assets	16.2	19.7	18.7
Cash and cash equivalents	229.9	131.5	166.1
<b>Total current assets</b>	<b>911.9</b>	<b>794.5</b>	<b>832.8</b>
Non-current assets classified as held-for-sale	-	-	0.6
<b>Total assets</b>	<b>2,725.3</b>	<b>2,617.8</b>	<b>2,674.9</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to equity owners of the parent	1,087.6	1,102.7	1,159.0
Non-controlling interests	15.5	14.8	13.8
<b>Total equity</b>	<b>1,103.1</b>	<b>1,117.5</b>	<b>1,172.8</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	758.8	592.1	669.1
Other liabilities	21.4	21.4	21.4
Deferred tax liabilities	62.5	64.6	62.4
Liabilities of defined benefit plans	80.8	80.0	82.3
Provisions	26.4	27.0	27.2
<b>Total non-current liabilities</b>	<b>950.0</b>	<b>785.2</b>	<b>862.5</b>
<b>Current liabilities</b>			
Interest-bearing current liabilities	148.9	200.3	191.4
Trade payables and other liabilities	495.2	490.3	422.8
Current income tax liabilities	18.3	14.7	14.2
Provisions	9.9	9.8	11.3
<b>Total current liabilities</b>	<b>672.2</b>	<b>715.1</b>	<b>639.7</b>
<b>Total liabilities</b>	<b>1,622.1</b>	<b>1,500.3</b>	<b>1,502.1</b>
<b>Total equity and liabilities</b>	<b>2,725.3</b>	<b>2,617.8</b>	<b>2,674.9</b>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	1-3/2018	1-3/2017	2017
<b>EUR million</b>			
<b>Cash flow from operating activities</b>			
Net profit for the period	23.0	19.8	85.2
Total adjustments	42.2	45.3	203.5
Operating profit before change in net working capital	65.3	65.2	288.7
Change in net working capital	-30.7	-42.0	-33.9
Cash generated from operations before financing items and taxes	34.6	23.1	254.8
Finance expenses, net and dividends received	-0.9	-4.0	-25.0
Income taxes paid	0.8	-6.9	-24.7
<b>Net cash generated from operating activities</b>	<b>34.5</b>	<b>12.2</b>	<b>205.1</b>
<b>Cash flow from investing activities</b>			
Purchases of subsidiaries and business acquisitions, net of cash acquired	0.8	-	0.0
Other capital expenditure	-23.2	-36.9	-190.1
Proceeds from sale of assets	4.3	0.0	3.0
Change in loan receivables decrease (+) / increase (-)	-0.1	0.0	-5.1
<b>Net cash used in investing activities</b>	<b>-18.1</b>	<b>-36.8</b>	<b>-192.2</b>
<b>Cash flow from financing activities</b>			
Proceeds from non-current interest-bearing liabilities (+)	90.0	-	100.0
Repayments from non-current interest-bearing liabilities (-)	-48.5	-31.4	-62.1
Short-term financing, net increase (+) / decrease (-)	7.3	14.8	36.3
Dividends paid	-	-	-86.9
Other finance items	0.0	0.0	0.0
<b>Net cash used in financing activities</b>	<b>48.9</b>	<b>-16.5</b>	<b>-12.7</b>
<b>Net decrease (-) / increase (+) in cash and cash equivalents</b>	<b>65.3</b>	<b>-41.1</b>	<b>0.3</b>
Cash and cash equivalents at end of period	229.9	131.5	166.1
Exchange gains (+) / losses (-) on cash and cash equivalents	-1.5	-0.7	-7.5
Cash and cash equivalents at beginning of period	166.1	173.4	173.4
<b>Net decrease (-) / increase (+) in cash and cash equivalents</b>	<b>65.3</b>	<b>-41.1</b>	<b>0.3</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million										
	Equity attributable to equity owners of the parent							Total	Non-controlling interests	Total Equity
	Share capital	Share premium	Fair value and other reserves	Un-restricted equity reserve	Exchange differences	Treasury shares	Retained earnings			
<b>Equity at January 1, 2017</b>	221.8	257.9	72.2	196.3	-0.8	-20.0	442.6	1,170.0	12.9	1,182.9
<b>Net profit for the period</b>	-	-	-	-	-	-	18.3	18.3	1.6	19.8
Other comprehensive income, net of tax	-	-	-5.0	-	0.0	-	-	-5.0	0.4	-4.6
<b>Total comprehensive income</b>	-	-	-5.0	-	0.0	-	18.3	13.3	1.9	15.2
<b>Transactions with owners</b>										
Dividends paid	-	-	-	-	-	-	-80.7 <sup>1)</sup>	-80.7	-	-80.7
Treasury shares given back	-	-	-	-	-	-0.1	-	-0.1	-	-0.1
Share-based payments	-	-	-	-	-	-	0.2	0.2	-	0.2
Transfers in equity	-	-	-0.9	-	-	-	0.9	0.0	-	0.0
<b>Transactions with owners</b>	-	-	-0.9	-	-	-0.1	-79.6	-80.6	0.0	-80.6
<b>Equity at March 31, 2017</b>	221.8	257.9	66.3	196.3	-0.8	-20.1	381.3	1,102.7	14.8	1,117.5

<sup>1)</sup> A dividend was EUR 80.7 million in total (EUR 0.53 per share) with respect to the financial year ended December 31, 2016. The annual general meeting approved EUR 0.53 dividend on March 24, 2017. The dividend record date was March 28, 2017, and the payment date April 11, 2017.

<b>Equity at 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>2)</sup>	-0.2	-	-0.2
<b>Restated equity at January 1, 2018</b>	221.8	257.9	98.7	196.3	-47.7	-20.1	451.9	1,158.8	13.8	1,172.6
<b>Net profit for the period</b>	-	-	-	-	-	-	21.3	21.3	1.7	23.0
Other comprehensive income, net of tax	-	-	3.2	-	-14.0	-	-	-10.8	0.0	-10.8
<b>Total comprehensive income</b>	-	-	3.2	-	-14.0	-	21.3	10.5	1.7	12.2
<b>Transactions with owners</b>										
Dividends paid	-	-	-	-	-	-	-80.8 <sup>3)</sup>	-80.8	-	-80.8
Treasury shares issued to the target group of share-based incentive plan	-	-	-	-	-	1.0	-	1.0	-	1.0
Share-based payments	-	-	-	-	-	-	-1.8	-1.8	-	-1.8
<b>Transactions with owners</b>	-	-	-	-	-	1.0	-82.6	-81.6	0.0	-81.6
<b>Equity at March 31, 2018</b>	221.8	257.9	101.8	196.3	-61.6	-19.1	390.6	1,087.6	15.5	1,103.1

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

<sup>3)</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 April 5, 2018.

Kemira had in its possession 2,839,607 of its treasury shares on March 31, 2018. The average share price of treasury shares was EUR 6.73 and they represented 1.8% of the share capital and the aggregate number of votes conferred by all shares. The aggregate par value of the treasury shares is EUR 4.1 million.

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

## GROUP KEY FIGURES

Kemira provides certain financial performance measures (alternative performance measures) on non-GAAP basis. Kemira believes that alternative performance measures, such as organic growth\*, EBITDA, operative EBITDA, cash flow after investing activities, and gearing, followed by capital markets and Kemira management, provide useful information of its comparable business performance and financial position. Selected alternative performance measures are also used as performance criteria in remuneration.

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

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

	2018 1-3	2017 10-12	2017 7-9	2017 4-6	2017 1-3	2017 1-12
<b>Income statement and profitability</b>						
Revenue, EUR million	613.7	636.5	622.2	617.2	610.0	2,486.0
Operative EBITDA, EUR million	69.4	80.7	84.5	77.1	69.0	311.3
Operative EBITDA, %	11.3	12.7	13.6	12.5	11.3	12.5
EBITDA, EUR million	68.2	78.4	70.2	67.0	66.7	282.4
EBITDA, %	11.1	12.3	11.3	10.9	10.9	11.4
Items affecting comparability in EBITDA, EUR million	-1.2	-2.2	-14.3	-10.1	-2.3	-28.9
Operative EBIT, EUR million	33.9	44.0	47.7	43.6	34.9	170.3
Operative EBIT, %	5.5	6.9	7.7	7.1	5.7	6.9
Operating profit (EBIT), EUR million	32.7	41.8	33.4	33.5	32.6	141.4
Operating profit (EBIT), %	5.3	6.6	5.4	5.4	5.3	5.7
Items affecting comparability in EBIT, EUR million	-1.2	-2.2	-14.3	-10.1	-2.3	-28.9
Return on investment (ROI), %	6.6	7.8	6.2	6.4	6.2	6.6
Capital employed, EUR million	1,753.9	1,763.2	1,759.9	1,749.7	1,736.8	1,763.2
Operative ROCE, %	9.7	9.7	9.2	9.2	9.5	9.7
ROCE, %	8.1	8.0	7.3	8.0	8.1	8.0
<b>Cash flow</b>						
Net cash generated from operating activities, EUR million	34.5	71.4	92.9	28.6	12.2	205.1
Capital expenditure, EUR million	22.4	64.2	43.8	45.2	36.9	190.1
Capital expenditure excl. acquisitions, EUR million	23.2	64.2	43.8	45.2	36.9	190.1
Capital expenditure excl. acquisitions / revenue, %	3.8	10.1	7.0	7.3	6.0	7.6
Cash flow after investing activities, EUR million	16.4	3.7	50.4	-16.5	-24.6	13.0
<b>Balance sheet and solvency</b>						
Equity ratio, %	40.5	43.9	43.3	42.9	42.7	43.9
Gearing, %	61.5	59.2	62.7	68.6	59.1	59.2
Interest-bearing net liabilities, EUR million	677.9	694.4	700.7	758.0	660.9	694.4
<b>Personnel</b>						
Personnel at end of period	4,740	4,732	4,749	4,849	4,771	4,732
Personnel (average)	4,736	4,736	4,791	4,820	4,775	4,781
<b>Exchange rates at end of period</b>						
USD	1.232	1.199	1.181	1.141	1.069	1.199
CAD	1.590	1.504	1.469	1.478	1.427	1.504
SEK	10.284	9.844	9.649	9.639	9.532	9.844
CNY	7.747	7.804	7.853	7.738	7.364	7.804
BRL	4.094	3.973	3.764	3.760	3.380	3.973
<b>Per share figures, EUR</b>						
Earnings per share (EPS), basic and diluted <sup>1)</sup>	0.14	0.16	0.12	0.12	0.12	0.52
Net cash generated from operating activities per share <sup>1)</sup>	0.23	0.47	0.61	0.19	0.08	1.35
Equity per share <sup>1)</sup>	7.13	7.61	7.26	7.18	7.24	7.61
<b>Number of shares (1,000)</b>						
Average number of shares, basic <sup>1)</sup>	152,403	152,357	152,362	152,360	152,358	152,359
Average number of shares, diluted <sup>1)</sup>	152,753	152,564	152,595	152,605	152,611	152,594
Number of shares at end of period, basic <sup>1)</sup>	152,503	152,354	152,362	152,362	152,354	152,354
Number of shares at end of period, diluted <sup>1)</sup>	152,747	152,512	152,595	152,595	152,606	152,512

<sup>1)</sup> Number of shares outstanding, excluding the number of shares bought back.

## DEFINITIONS OF KEY FIGURES

### Operative EBITDA

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

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

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

### Operative EBIT

Operating profit (EBIT) - items affecting comparability

### Return on investment (ROI), %

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

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

$$\frac{(\text{Operative EBIT} + \text{share of profit or loss of associates}) \times 100}{\text{Capital employed}}$$
 <sup>4) 5)</sup>

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

$$\frac{(\text{Operating profit (EBIT)} + \text{share of profit or loss of associates}) \times 100}{\text{Capital employed}}$$
 <sup>4) 5)</sup>

### Net working capital

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

### Cash flow after investing activities

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

### Equity ratio, %

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

### 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)

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

### Net cash generated from operating activities per share

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

### Equity per share

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

<sup>1)</sup> Non-GAAP measures excludes the effects of significant items of income and expenses which may have an impact on the comparability in the financial reporting of Kemira Group. Restructuring and streamlining programs; transaction and integration expenses in acquisition; divestments of businesses and other disposals are considered to be the most common items affecting comparability.

<sup>2)</sup> Average

<sup>3)</sup> Operating profit and share of profit or loss of associates taken into account for a rolling 12-month period ending at the end of the review period.

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

<sup>5)</sup> Capital employed = property, plant and equipment + intangible assets + net working capital + investments in associates

## RECONCILIATION OF IFRS FIGURES

	2018 1-3	2017 10-12	2017 7-9	2017 4-6	2017 1-3	2017 1-12
<b>EUR million</b>						
<b>ITEMS AFFECTING COMPARABILITY IN EBITDA AND IN EBIT</b>						
<b>Operative EBITDA</b>	<b>69.4</b>	<b>80.7</b>	<b>84.5</b>	<b>77.1</b>	<b>69.0</b>	<b>311.3</b>
Restructuring and streamlining programs	0.0	-2.4	-1.2	-7.5	-1.9	-13.1
Transaction and integration expenses in acquisition	-0.2	-0.2	0.3	0.2	0.1	0.3
Divestment of businesses and other disposals	0.0	0.8	0.0	-2.6	0.0	-1.9
Other items	-1.0	-0.3	-13.4	-0.1	-0.5	-14.4
<b>Total items affecting comparability</b>	<b>-1.2</b>	<b>-2.2</b>	<b>-14.3</b>	<b>-10.1</b>	<b>-2.3</b>	<b>-28.9</b>
<b>EBITDA</b>	<b>68.2</b>	<b>78.4</b>	<b>70.2</b>	<b>67.0</b>	<b>66.7</b>	<b>282.4</b>
<b>Operative EBIT</b>	<b>33.9</b>	<b>44.0</b>	<b>47.7</b>	<b>43.6</b>	<b>34.9</b>	<b>170.3</b>
Total items affecting comparability in EBITDA	-1.2	-2.2	-14.3	-10.1	-2.3	-28.9
Items affecting comparability in depreciation, amortization and impairments	0.0	0.0	0.0	0.0	0.0	0.0
<b>Operating profit (EBIT)</b>	<b>32.7</b>	<b>41.8</b>	<b>33.4</b>	<b>33.5</b>	<b>32.6</b>	<b>141.4</b>
<b>ROCE AND OPERATIVE ROCE</b>						
Operative EBIT	33.9	44.0	47.7	43.5	34.9	170.3
Operating profit (EBIT)	32.7	41.8	33.4	33.5	32.6	141.4
Share of profit or loss of associates	0.0	-0.1	0.1	0.0	0.1	0.2
Capital employed	1,753.9	1,763.2	1,759.9	1,749.7	1,736.8	1,763.2
Operative ROCE, %	9.7	9.7	9.2	9.2	9.5	9.7
ROCE, %	8.1	8.0	7.3	8.0	8.1	8.0
<b>NET WORKING CAPITAL</b>						
Inventories	237.1	223.8	224.4	227.1	230.2	223.8
Trade receivables and other receivables	423.7	418.8	398.6	419.5	412.8	418.8
Excluding financing items in other receivables	-22.2	-21.4	-18.3	-21.2	-15.1	-21.4
Trade payables and other liabilities	495.2	422.8	385.6	384.2	490.3	422.8
Excluding financing items in other liabilities	-96.5	-12.0	-11.1	-5.6	-98.4	-12.0
<b>Net working capital</b>	<b>240.0</b>	<b>210.5</b>	<b>230.3</b>	<b>246.8</b>	<b>236.0</b>	<b>210.5</b>
<b>INTEREST-BEARING NET LIABILITIES</b>						
Non-current interest-bearing liabilities	758.8	669.1	674.5	690.9	592.1	669.1
Current interest-bearing liabilities	148.9	191.4	186.6	180.8	200.3	191.4
<b>Interest-bearing liabilities</b>	<b>907.7</b>	<b>860.5</b>	<b>861.2</b>	<b>871.7</b>	<b>792.4</b>	<b>860.5</b>
Cash and cash equivalents	229.9	166.1	160.5	113.7	131.5	166.1
<b>Interest-bearing net liabilities</b>	<b>677.8</b>	<b>694.4</b>	<b>700.7</b>	<b>758.0</b>	<b>660.9</b>	<b>694.4</b>

## QUARTERLY SEGMENT INFORMATION

	2018 1-3	2017 10-12	2017 7-9	2017 4-6	2017 1-3	2017 1-12
<b>EUR million</b>						
<b>Revenue</b>						
Pulp & Paper	368.7	372.8	363.0	368.9	372.2	1,476.9
Industry & Water	245.0	263.8	259.2	248.3	237.8	1,009.1
<b>Total</b>	<b>613.7</b>	<b>636.5</b>	<b>622.2</b>	<b>617.2</b>	<b>610.0</b>	<b>2,486.0</b>
<b>Operative EBITDA</b>						
Pulp & Paper	42.7	55.4	48.5	47.8	46.0	197.7
Industry & Water	26.6	25.3	36.0	29.3	22.9	113.6
<b>Total</b>	<b>69.4</b>	<b>80.7</b>	<b>84.5</b>	<b>77.1</b>	<b>69.0</b>	<b>311.3</b>
<b>Items affecting comparability in EBITDA</b>						
Pulp & Paper	-0.7	-0.3	-13.9	-2.7	-0.9	-17.9
Industry & Water	-0.5	-1.9	-0.4	-7.4	-1.4	-11.0
<b>Total</b>	<b>-1.2</b>	<b>-2.2</b>	<b>-14.3</b>	<b>-10.1</b>	<b>-2.3</b>	<b>-28.9</b>
<b>EBITDA</b>						
Pulp & Paper	42.1	55.1	34.6	45.1	45.1	179.9
Industry & Water	26.1	23.4	35.7	22.0	21.5	102.5
<b>Total</b>	<b>68.2</b>	<b>78.4</b>	<b>70.2</b>	<b>67.0</b>	<b>66.7</b>	<b>282.4</b>
<b>Operative EBIT</b>						
Pulp & Paper	18.9	30.9	24.4	25.7	23.8	104.8
Industry & Water	15.0	13.1	23.4	17.9	11.1	65.5
<b>Total</b>	<b>33.9</b>	<b>44.0</b>	<b>47.7</b>	<b>43.6</b>	<b>34.9</b>	<b>170.3</b>
<b>Items affecting comparability in EBIT</b>						
Pulp & Paper	-0.7	-0.3	-13.9	-2.7	-0.9	-17.9
Industry & Water	-0.5	-1.9	-0.4	-7.4	-1.4	-11.0
<b>Total</b>	<b>-1.2</b>	<b>-2.2</b>	<b>-14.3</b>	<b>-10.1</b>	<b>-2.3</b>	<b>-28.9</b>
<b>Operating profit (EBIT)</b>						
Pulp & Paper	18.2	30.6	10.4	23.0	22.9	86.9
Industry & Water	14.5	11.2	23.0	10.5	9.7	54.4
<b>Total</b>	<b>32.7</b>	<b>41.8</b>	<b>33.4</b>	<b>33.5</b>	<b>32.6</b>	<b>141.4</b>

## CHANGES IN PROPERTY, PLANT AND EQUIPMENT

	1-3/2018	1-3/2017	2017
<b>EUR million</b>			
<b>Net book value at beginning of period</b>	<b>922.9</b>	915.6	915.6
Purchases of subsidiaries and asset acquisitions	0.0	0.0	0.0
Increases	21.8	34.6	172.7
Decreases	0.0	0.0	-1.2
Depreciation and impairments	-29.1	-27.2	-114.8
Exchange rate differences and other changes	-12.5	-1.4	-49.4
<b>Net book value at end of period</b>	<b>903.0</b>	921.5	922.9

## CHANGES IN GOODWILL AND OTHER INTANGIBLE ASSETS

	1-3/2018	1-3/2017	2017
<b>EUR million</b>			
<b>Net book value at beginning of period</b>	<b>605.5</b>	638.3	638.3
Purchases of subsidiaries and asset acquisitions	0.0	0.0	0.0
Increases	1.4	2.3	13.8
Decreases	0.0	0.0	0.0
Amortization and impairments	-6.4	-6.8	-26.2
Exchange rate differences and other changes	-4.2	-1.3	-20.3
<b>Net book value at end of period</b>	<b>596.4</b>	632.5	605.5

## DERIVATIVE INSTRUMENTS

	3/31/2018		12/31/2017	
EUR million	Nominal value	Fair value	Nominal value	Fair value
<b>Currency derivatives</b>				
Forward contracts	366.4	-1.1	341.4	1.0
of which cash flow hedge	43.8	0.6	43.5	0.8
<b>Interest rate derivatives</b>				
Interest rate swaps	245.0	0.8	270.0	1.0
of which cash flow hedge	145.0	-1.9	170.0	-1.6
of which fair value hedge	100.0	2.7	100.0	2.7
<b>Other derivatives</b>	GWh	Fair value	GWh	Fair value
Electricity forward contracts, bought	1,668.1	9.0	1,704.5	6.2
of which cash flow hedge	1,668.1	9.0	1,704.5	6.2
Electricity future contracts, bought	513.2	0.3	157.6	-0.1
of which cash flow hedge	513.2	0.3	157.6	-0.1

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

## FAIR VALUE OF FINANCIAL ASSETS

	3/31/2018				12/31/2017			
EUR million	Level 1	Level 2	Level 3	Total net	Level 1	Level 2	Level 3	Total net
<b>Fair value hierarchy</b>								
Other shares	-	-	235.8	235.8	-	-	235.8	235.8
Other investments	-	2.7	-	2.7	-	3.8	-	3.8
Currency derivatives	-	3.5	-	3.5	-	4.7	-	4.7
Interest rate derivatives	-	2.7	-	2.7	-	2.7	-	2.7
Other derivatives	-	9.3	-	9.3	-	6.2	-	6.2
Other receivables	-	5.0	-	5.0	-	5.3	-	5.3
Trade receivables	-	313.0	-	313.0	-	315.2	-	315.2
<b>Total</b>	-	336.2	235.8	572.0	-	337.9	235.8	573.7

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

Level 2: Fair value is determined by using valuation techniques. The fair value refers to the value that is observable from the market value of elements of financial instrument or from the market value of corresponding financial instrument; 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 inputs are not based on observable market data. Level 3 includes mainly the shares of Pohjolan Voima Group.

Level 3 specification	Total net 3/31/2018	Total net 12/31/2017
<b>Instrument</b>		
Carrying value at beginning of period	235.8	202.5
Effect on the statement of comprehensive income	-	30.0
Increases	-	3.6
Decreases	-	-0.3
<b>Carrying value at end of period</b>	<b>235.8</b>	<b>235.8</b>



## FAIR VALUE OF FINANCIAL LIABILITIES

	3/31/2018				12/31/2017			
EUR million								
<b>Fair value hierarchy</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total net</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total net</b>
Non-current interest-bearing liabilities	-	770.9	-	770.9	-	697.2	-	697.2
Current portion of non-current interest-bearing liabilities	-	21.1	-	21.1	-	74.8	-	74.8
Non-current other liabilities	-	21.4	-	21.4	-	21.4	-	21.4
Finance lease liabilities	-	0.0	-	0.0	-	0.1	-	0.1
Loans from financial institutions	-	131.1	-	131.1	-	126.8	-	126.8
Other liabilities	-	32.8	-	32.8	-	31.0	-	31.0
Currency derivatives	-	4.6	-	4.6	-	3.7	-	3.7
Interest rate derivatives	-	1.9	-	1.9	-	1.6	-	1.6
Other derivatives	-	-	-	0.0	-	0.1	-	0.1
Trade payables	-	178.4	-	178.4	-	187.2	-	187.2
<b>Total</b>	-	1,162.2	-	1,162.2	-	1,143.9	-	1,143.9

## CONTINGENT LIABILITIES

	3/31/2018	12/31/2017
EUR million		
<b>Assets pledged</b>		
On behalf of own commitments	5.5	5.7
<b>Guarantees</b>		
On behalf of own commitments	47.3	50.2
On behalf of others	3.9	3.9
<b>Operating leasing liabilities</b>		
Maturity within one year	29.8	32.2
Maturity after one year	150.3	165.4
<b>Other obligations</b>		
On behalf of own commitments	1.0	1.0
On behalf of others	6.1	-
On behalf of associates	-	0.2

### Major off-balance sheet investment commitments

Major amounts of contractual commitments for the acquisition of property, plant and equipment on March 31, 2018 were about EUR 23 million for plant investments.

## LITIGATION

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

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

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

As mentioned above the settlement between Kemira and CDC relating to the Helsinki litigation also includes significant limitations of liabilities for Kemira regarding the remaining pending legal action filed by CDC Project 13 SA in Amsterdam, the Netherlands. However, regardless of such limitations of liabilities, Kemira is currently not in a position to make any estimate regarding the duration or the likely outcome of the said process. No assurance can be given as to the outcome of the process, and unfavorable judgments against Kemira could have an adverse effect on Kemira's business, financial condition or results of operations. Due to its extensive international operations the Group, in addition to the above referred claims, is involved in a number of other legal proceedings incidental to these operations and it does not expect the outcome of these other currently pending legal proceedings to have materially adverse effect upon its consolidated results or financial position.

## RELATED PARTY

Transactions with related parties have not changed materially.

## BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited consolidated interim financial statements has been prepared in accordance with IAS 34 'Interim financial reporting'. The same accounting policies have been applied as in the annual financial statements. The interim financial statements should be read in conjunction with the annual financial statements 2017.

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

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

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

## **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 expense. Actual results may differ from these estimates.