Kemira Oyj

Financial statements 2011

Kemira Oyj

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KEMIRA OYJ FINANCIAL STATEMENTS 2011

Kemira
Water is the connection

Board of Directors' Review 2011

Revenue in 2011 increased 2% to EUR 2,207.29 million (2010: EUR 2,160.9 million) driven by the implemented sales price increases in all Kemira's segments. Operative EBIT decreased 3% to EUR 157.3 million (162.3) and the margin was 7.1% (7.5%). EBIT increased to EUR 158.3 million (156.1). Earnings per share from continuing operations increased 22% to EUR 0.89 (0.73). Cash flow from the operating activities increased 34% to EUR 177.7 million (133.1), mainly due to decreased working capital. Kemira's balance sheet remained strong and gearing decreased to 38% (39%). The Board of Directors proposes a cash dividend of EUR 0.53 per share, equaling a total of EUR 81 million.

Key figures and ratios

The figures for 2010 are for continuing operations, excluding Tikkurila, unless otherwise stated. Tikkurila Oyj was separated from Kemira on March 26, 2010.

EUR million	Jan-Dec 2011	Jan-Dec 2010
Revenue	2,207.2	2,160.9
EBITDA	259.6	265.7
EBITDA, %	11.8	12.3
Operative EBIT	157.3	162.3
EBIT	158.3	156.1
Operative EBIT, %	7.1	7.5
EBIT, %	7.2	7.2
Share of profit or loss of associates	31.0	9.2
Financial income and expenses	-20.9	-27.4
Profit before tax	168.4	137.9
Net profit from continuing operations	140.3	115.9
Net profit	140.3	646.9***
EPS, EUR, from continuing operations	0.89	0.73
Capital employed*	1,705.0	1,665.1
ROCE, %*	11.1	9.9
Cash flow after investing activities	115.3	168.6**
Capital expenditure	201.1	107.8
Equity ratio, % at period-end	51	54**
Gearing, % at period-end	38	39**
Personnel at period-end	5,006	4,977

* 12-month rolling average
**Includes Tikkurila until March 25, 2010
***Net profit January–December 2010 includes a non-recurring income of EUR 529.2 million from the separation of Tikkurila consisting of the difference between the market price of Tikkurila on March 26, 2010 and the shareholder's equity of Tikkurila on March 25, 2010 less the transfer tax related to Tikkurila's listing as well as the listing costs.

Definitions of key figures are available at www.kemira.com > Investors > Financial information. Comparative 2010 figures are provided in parentheses for some financial results, where appropriate. Operating profit, excluding non-recurring items, is referred to as Operative EBIT. Operating profit is referred to as EBIT.

Financial performance, full year 2011

Year 2011 was the fourth year implementing the water chemistry strategy for Kemira. Kemira's growth in the water business continued throughout the year, especially in the Oil & Mining segment. At the same time, the world's economic turbulence caused some unexpected market developments, such as rising raw material costs coupled with declining demand in certain customer segments towards the end of the year. Despite these challenging market conditions, Kemira was able to increase its revenue and to deliver an improved net income and strong cash flow.

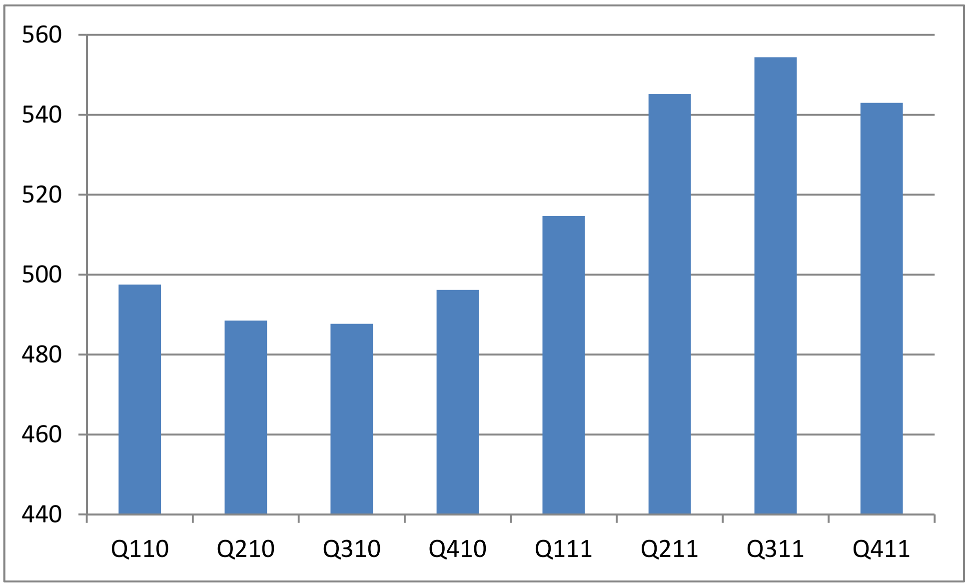
Kemira Group's **revenue** increased 2% to EUR 2,207.2 million (2,160.9). Organic growth was 4% or nearly EUR 100 million in 2011. The main driver of the revenue growth in 2011 was the increased sales prices in all businesses. Additionally, the sales volumes grew in all of Kemira's segments, excluding Kemira's de-icing business that was affected by the mild weather conditions and drove ChemSolutions (reported in Other) sales volumes lower. The Albemarle UK Ltd (Teesport) acquisition in the United Kingdom and Water Elements in the U.S in the latter part of 2010 positively impacted the revenue by EUR 15 million in 2011. The divestments of the Kokkola sulphuric acid plant in Finland, Industry Park of Sweden (IPOS) in Sweden, fluorescent whitening agents (FWA) business in Germany in the latter part of 2010 as well as Galvatek in Finland and a hydrogen peroxide plant in Canada in 2011 impacted revenue negatively by EUR 47 million. The average US dollar and Canadian dollar rate depreciated against the euro compared to the previous year, being the main reasons for the negative EUR 18 million currency exchange impact on revenues.

In the Paper segment, revenues decreased 1% to EUR 973.3 million (984.3). Organic revenue growth was 4%. Divestments had 4% and currency exchange 1% negative impact on revenues.

In the Municipal & Industrial segment, revenues increased 3% to EUR 664.7 million (643.6). Organic revenue growth was 3%. Acquisition had a positive impact of 1% and currency exchange 1% negative impact on revenues.

In the Oil & Mining segment, revenues increased 13% to EUR 335.7 million (297.5). Organic revenue growth was 12%. Acquisition had a positive impact of 3% and currency exchange negative impact of 2% on the revenues.

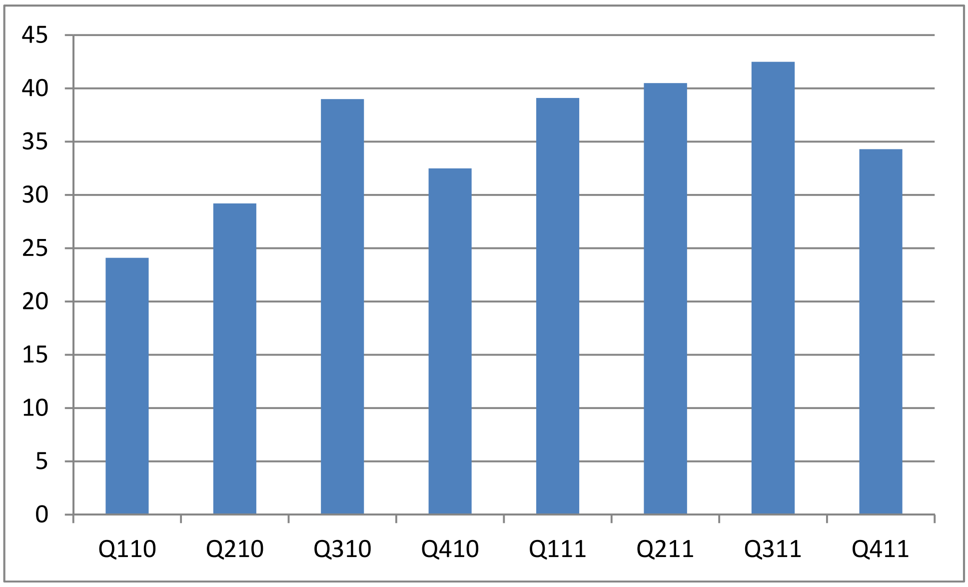
Kemira Group revenue, EUR million



Geographically, the revenue was divided as follows: EMEA 57% (56%), North America 30% (31%), South America 7% (7%), and Asia Pacific 6% (6%). Revenues increased 3% in the mature markets and were unchanged in the emerging markets in 2011. Kemira group’s mid-term revenue target set in September 2010 is to increase revenues by 3% in the mature markets and by 7% in the emerging markets.

EBIT increased 1% to EUR 158.3 million (156.1). **Operative EBIT** decreased 3% to EUR 157.3 million (162.3). The operative EBIT margin was 7.1% (7.5%). In 2008, Kemira set a mid-term target for the operative EBIT margin to be above 10%.

Kemira group operative EBIT, EUR million



Variable costs increased by EUR 88 million in 2011 compared to the previous year. During the year, Kemira took actions across the segments to offset the increased variable costs by implementing price increases. Price increases, together with somewhat higher sales volumes, could nearly offset the negative impact of increased variable costs. Fixed costs were close to the level of 2010 having EUR 3 million negative effect on operative EBIT. US dollar depreciation of 5% against the euro was the main reason for a negative EUR 3 million currency exchange impact on operative EBIT. Acquisitions and divestments together with some other items had EUR 2 million positive impact on operative EBIT. (See variance analysis table on page 3).

Variance analysis, EUR million	**Jan-Dec**
Operative EBIT, 2010	**162.3**
Sales volumes and prices	86.7
Variable costs	-87.8
Fixed costs	-2.6
Currency impact	-3.1
Others, incl. acquisitions and divestments	1.8
Operative EBIT, 2011	**157.3**

Non-recurring items affecting EBIT totaled EUR 1 million (-6.2). Non-recurring items included a capital gain related to the sale of a hydrogen peroxide plant (Paper segment) in Canada, asset write-downs related to the closed calcium sulphate business in Finland and site consolidation activities in Spain and North America in Municipal. Non-recurring items in 2010 included a non-cash write-down of EUR 12.9 million in the calcium sulphate plant (Paper segment) in Siilinjärvi, Finland, as well as capital gains related to the divestments of the sulphuric acid plant in Finland, a service company in Sweden and the FWA business in Germany.

Income from associated companies increased to EUR 31.0 million (9.2) as a result of higher net profits of the specialty TiO_2 producer JV Sachtleben (Kemira owns 39% of the company). The good performance of the titanium dioxide business in 2011 was a result of the efficient operation and strong market demand. Together with JV partner Rockwood Holdings Kemira is in a process of evaluating long-term strategic options for the TiO_2 business.

Profit before tax increased 22% to EUR 168.4 million (137.9). Higher income from associated companies, lower financial expenses and increased EBIT altogether contributed to the improved profit.

Taxes were EUR 28.1 million (22.0) and the effective tax rate was 16.7% (16.0%). Taxes increased as a result of higher profits, especially in North America. Tax rate, excluding the income from associated companies, was 20.5% (17.1%). Tax rates were influenced by changes in deferred tax assets.

Net profit from the continuing operations attributable to the owners of the parent company increased 22% to EUR 135.6 million (110.9) and earnings per share from continuing operations increased to EUR 0.89 (0.73), Kemira's highest reported EPS from continuing operations to date.

Financial position and cash flow

Kemira's financial position and liquidity remained good.

Cash flow from operating activities in 2011 increased 34% to EUR 177.7 million (133.1) mainly due to decreased net working capital. Cash flow after investing activities decreased to EUR 115.3 million (168.6). Cash flow from the sale of remaining Tikkurila shares was EUR 97 million in April 2011. The comparable period of last year included a loan repayment from Tikkurila, as well as cash and cash equivalents transferred to Tikkurila and the effect of the transfer tax related to Tikkurila's listing, totaling EUR 119.3 million. Net working capital (ratio) improved to 11.3% (11.7%) at the end of the period.

At the end of the period, Kemira Group's net debt was EUR 515.8 million (535.6 in December 31, 2010). Net debt decreased due to the strong positive cash flow whereas the purchase of Pohjolan Voima Oy (PVO) shares at the end of the year, dividend payment, and currency fluctuations increased net debt.

At the end of the period, the interest-bearing liabilities stood at EUR 701.6 million (627.4 in December 31, 2010). Fixed-rate loans accounted for 58% of the net interest-bearing liabilities (77%). The average net finance cost (excluding foreign exchange differences) was 3.9% (4.5%). At the end of the period, 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 17 months (15 months in December 31, 2010).

Short-term liabilities maturing in the next 12 months amounted to EUR 237.1 million, with commercial papers issued in the Finnish market representing EUR 164.0 million and repayments on the long-term loans representing EUR 66.7 million. Cash and cash equivalents totaled EUR 185.8 million on December 31, 2011. In June, Kemira Oyj signed a 5 year revolving credit facility of EUR 300 million, which replaced the old, EUR 750 million, credit facility. At the end of the period, the new facility amount remains undrawn.

At the end of the period, the equity ratio was 51% (54% on December 31, 2010), while gearing was 38% (39%). Shareholder's equity increased to EUR 1,370.8 million (1,365.8 on December 31, 2010).

The Group's net financial expenses in 2011 were EUR 20.9 million (27.4). Net financial expenses decreased mainly due to lower interest rate levels. Currency exchange rate profits were EUR 1.4 million (-0.6).

The Group's most significant transaction currency risk arises from the Swedish krona and U.S. dollar. At the end of the year, the denominated 12-month exchange rate risk of Swedish krona had an equivalent value of approximately EUR 40 million, 33% of which was hedged on an average basis. Correspondingly, the USD denominated exchange rate risk was approximately EUR 30 million, 42% of which was hedged on an average basis. In addition, Kemira is exposed to smaller transaction risks in relation to Canadian dollar, British pound and Norwegian krona with the annual exposure in these currencies being approximately EUR 20 million.

Because Kemira's consolidated financial statements are compiled in euros, Kemira is also a subject to the currency translation risk to the extent that the income statement and balance sheet items of subsidiaries located outside Finland are reported in the currency other than euro. The most significant translation exposure currencies are the US dollar, Swedish krona, Canadian dollar and Brazilian real. A weakening of the above mentioned currencies against the euro would decrease Kemira's revenue and EBIT through a translation risk. 10% depreciation of the above mentioned currencies against the euro would decrease Kemira's EBIT by some EUR 10 million on annual basis through a translation risk. A more detailed report on the Group's financial risks and their management is published in the notes to the financial statements.

Capital expenditure

Capital expenditure was EUR 201.1 million (107.8) in 2011. Capital expenditure included EUR 103 million related to the acquisitions of PVO shares from Kemira´s pension fund Neliapila. Capex (excl. capex related to the acquisition of PVO shares) can be broken down as follows; expansion capex 17% (13%), improvement capex 40% (28%), and maintenance capex 43% (30%). Expansion investments were focused on the emerging markets in China and India.

The Group's depreciation, non-recurring impairment and reversals of impairments were EUR 101.3 million (109.6).

Research and development

Research and development expenses (incl. depreciations) were EUR 39.7 million (41.6) in 2011, representing 1.9% (2.0%) of all Kemira Group operating expenses. Kemira has a total of four research and development centers in Espoo (Finland), Atlanta (USA), Shanghai (China) and São Paulo (Brazil).

The four R&D centers are all part of the Kemira Center of Water Efficiency Excellence (SWEET), which was established in March 2010. The research centers incorporate the leading expertise in a new way in the water management: all operations are based on the customers' needs and user-oriented thinking. Kemira's strategic partners in SWEET are, apart from VTT and Tekes in Finland, the Finnish companies Outotec and Metso, as well as Singapore's National Water Agency (PUB) and Nanyang Technological University (NTU), to name a few. Currently, Kemira R&D employs 350 water chemistry experts worldwide and generated new revenue from the water chemistry products and applications used, e.g. in shale gas and desalination processes in 2011.

Human Resources

At the end of the year 2011, the number of employees in Kemira Group were 5,006 (2010: 4,977, 2009: 8,493). In 2009, the number of employees included Tikkurila. Kemira employed 1,179 people in Finland (1,147), 1,776 people elsewhere in EMEA (1,771), 1,384 in North America (1,386), 398 in South America (414) and 269 in Asia Pacific (259).

Total salaries and wages paid in 2011 were EUR 235.6 million (2010: 251.3 2009: 231.5). Kemira's remuneration is based on performance and external competitiveness. Compliance with the principle is ensured by consistent performance discussions. Basic salaries are supplemented by performance-based bonus schemes, which cover 32% of Kemira's employees.

Kemira has been conducting employee surveys since 2004. In 2011, Kemira analyzed employee's engagement for the second time, with 4,119 (2010: 4,206) employees participating in the survey and a response rate of 84% (2010: 87). 2011 survey results indicate that Kemira has improved it's employee engagement versus 2010 and has now exceeded the external benchmark.

Kemira's new strategy requires strong leadership at all levels. Kemira's leadership programs are coaching-based with internal coaches and a separate coaching-based development program for the managers. We have developed and implemented a global leadership program to strengthen the first-level managers' leadership skills. In 2011, 269 managers completed the program in 14 countries.

Competence and capability analyses are being conducted to ensure that Kemira's employees have the critical competencies needed to implement our water chemistry strategy. In 2011, after carrying out a competency gap analysis among more than 150 sales and application professionals, the intensive personnel development programs were started in different parts of the organization. These programs are specifically focused on the sales and application competency development, crucial for Kemira's success.

One of the key activities in 2011 was the development of a Water School program to build key water-application competencies and to gain an understanding of Kemira's strategy and ways of working. The program was rolled out in the APAC region and in South America with over 100 employees.

Sustainability

Sustainability is an essential part of Kemira's overall strategy. This year, Kemira publishes Sustainability Report in connection with the Annual Report 2011 for the first time. The Sustainability Report is verified by a third party and prepared in accordance with IFRS and the GRI (Global Reporting Initiative) framework. The report covers issues such as economic performance, emissions and effluents, waste, environmental costs, labor practices and decent work, safety and product safety, society, and the use of natural resources.

In 2011, Kemira undertook sizable projects to improve the resource efficiency of its production plants and operations. Examples of these are two new plants where by-product acids will be used as main raw material. These new coagulant plants in Dormagen, Germany, and Tarragona, Spain, will operate on 100 % recycled acid supplied by the industrial partners close to the plants. These new units will replace several old and small plants. Thus, this investment is expected to result in environmental and safety improvements. The projects are planned to be completed during 2012.

In 2011, capital expenditure on environmental protection at the company's 74 production sites totaled EUR 3.9 million (EUR 2.3 million) and operating costs were EUR 12.6 million (EUR 12.8 million). The increase of operating costs was caused mainly by higher production volumes. No major environmental investment projects are in progress or being planned.

Provisions for environmental remediation totaled EUR 14.7 million (19.6). The major provisions apply to the closing of the former waste piling area in Pori and to the limited reconditioning of the sediment of a lake adjacent to the Vaasa plant. The pile closing project in Pori proceeded as planned. In Vaasa, the remediation project had to be discontinued in August because of work safety risks.

Kemira did not register any new substances under the new EU chemicals regulation (REACH) in 2011. Kemira is in the process of preparing for the next registration deadline in June 2013 for phase-in registrations. In the EU, the third deadline of REACH is coming up in 2018. In addition, there will be other regulations concerning the Asia-Pacific region and South America that will require Kemira's attention in the future. The implementation of REACH is not expected to have major effects on Kemira's competitiveness, even though the registration costs are expected to accumulate over the next few years. In 2011, the costs of REACH compliance were insignificant (2010: EUR 3 million) and related to improvements in REACH-related management processes and associated IT support.

The frequency of occupational incidents (LTA1) was again lower than in the previous year, with 2.7 incidents per million working hours (3.0), which is the best result Kemira has achieved thus far. There were no significant process accidents in 2011.

Segments

Paper

We offer chemical products and integrated systems that help customers in the water-intensive pulp and paper industry to improve their profitability as well as their water, raw material and energy efficiency. Our solutions support sustainable development.

EUR million	Jan-Dec 2011	Jan-Dec 2010
Revenue	973.3	984.3
EBITDA	126.0	129.0
EBITDA, %	12.9	13.1
Operative EBIT	75.4	75.6
EBIT	79.5	68.4
Operative EBIT, %	7.7	7.7
EBIT, %	8.2	6.9
Capital employed*	773.2	796.4
ROCE, %*	10.3	8.6
Capital expenditure	43.5	33.3
Cash flow after investing activities, excluding interest and taxes	90.9	85.9

*12-month rolling average

The Paper segment's **revenue** was EUR 973.3 million (984.3). Increased sales volumes and prices had a total of EUR 39 million positive impact on revenues. The divestments of the Kokkola sulphuric acid plant in Finland, the fluorescent whitening agents (FWA) business in 2010, and the hydrogen peroxide plant in Canada in November 2011 affected revenues negatively by EUR 42 million. The currency exchange had a negative impact of EUR 7 million.

The global demand for pulp continued to develop well in the beginning of 2011, keeping pulp prices high. The pulp demand slowed down in the latter part of 2011 and resulted e.g. pulp mill stoppages in that lasted longer than in the comparable period last year. Paper and board prices increased during the year but the demand pattern was similar as the one for pulp; stronger in the first half of the year and weaker in the latter period. The demand for publication paper and newsprint was stable but pressured, especially in the latter part of 2011, to a certain extent due to the weaker general economy in mature markets, particularly in Europe.

Operative EBIT was EUR 75.4 million (75.6). Price increases could more than offset the higher variable cost. Fixed costs were at the same level as in 2010. Divestments made in the latter part of 2010 together with currency exchange had EUR 4 million negative impact on operative EBIT. The operative EBIT margin was unchanged at 7.7% (7.7%).

In November, Kemira sold its Canadian hydrogen peroxide unit in Maitland to Evonik. Exiting Maitland frees the resources to further develop Kemira's Paper business in North America in other applications, such as paper wet-end, pulp process and water quality and quantity management.

Municipal & Industrial

We offer water treatment chemicals for municipalities and industrial customers.
Our strengths are high-level application know-how, a comprehensive range of water treatment chemicals, and reliable customer deliveries.

EUR million	**Jan-Dec 2011**	**Jan-Dec 2010**
Revenue	664.7	643.6
EBITDA	74.3	81.4
EBITDA, %	11.2	12.6
Operative EBIT	46.9	59.0
EBIT	43.7	55.8
Operative EBIT, %	7.1	9.2
EBIT, %	6.6	8.7
Capital employed*	403.4	373.9
ROCE, %*	10.8	14.9
Capital expenditure	28.8	44.8
Cash flow after investing activities, excluding interest and taxes	41.9	25.6

*12-month rolling average

The Municipal & Industrial segment's **revenue** increased 3% to EUR 664.7 million (643.6). Demand for water treatment chemicals in municipalities remained largely stable throughout the year, although, the challenging economic conditions in some countries decreased sales volumes especially in the fourth quarter. In Industrial, the sales volumes continued to increase in all main customer segments. Kemira is focusing on water intensive industries such as food & beverage, sugar, construction, pharmaceutical and power. Sales volume increase together with the higher average sales prices impacted revenue positively by EUR 22 million. The acquisition of Water Elements in the US in 2010 had minor positive impact and currency exchange minor negative impact on revenues in 2011.

Operative EBIT decreased by 21% to EUR 46.9 million (59.0). Higher revenues from increased sales volumes and prices could not fully offset the negative impact of higher variable costs. Variable costs increased by EUR 23 million in 2011 as a result of higher raw material, energy, and freight costs. Fixed costs increased by EUR 5 million. Currency exchange had a small negative impact on operative EBIT. Operative EBIT margin decreased to 7.1% (9.2%).

Oil & Mining

We offer a large selection of innovative chemical extraction and process solutions for the oil and mining industries, where water plays a central role. Utilizing our expertise, we enable our customers to improve efficiency and productivity.

EUR million	Jan-Dec 2011	Jan-Dec 2010
Revenue	335.7	297.5
EBITDA	45.7	41.2
EBITDA, %	13.6	13.8
Operative EBIT	36.2	28.6
EBIT	34.9	31.9
Operative EBIT, %	10.8	9.6
EBIT, %	10.4	10.7
Capital employed*	150.1	138.1
ROCE, %*	23.3	23.1
Capital expenditure	9.6	13.3
Cash flow after investing activities, excluding interest and taxes	28.7	30.9

*12-month rolling average

The Oil & Mining segment's **revenue** increased 13% to EUR 335.7 million (297.5). Pricing was favorable for water treatment chemicals in both the oil and gas and the minerals and metals markets. The exchange rate fluctuations affected revenues negatively by approximately EUR 7 million. Acquisitions and divestments had only a minor effect on revenues.

Operative EBIT increased 27% to EUR 36.2 million (28.6). The operative EBIT improvement was mainly due to the higher revenue that offsets the higher raw material and fixed costs. The net effect of exchange rate fluctuations and acquisitions and divestments was marginal. Operative EBIT margin rose to 10.8% (9.6%).

The revenue and operative EBIT growth were mainly the result of the successful implementation of our water strategy in both mature and emerging markets. The Oil & Mining segment continues to shift its sales mix from products to innovative applications, improving value for the customers. In addition, the increased demand on energy, minerals, and metals contributed to the segment's success.

Other

Specialty chemicals, such as organic salts and acids, and the Group expenses not charged to the business segments (some research and development costs and the costs of the CEO Office) are included in “Other”.

The revenue in 2011 was EUR 233.5 million (235.6). The sales price levels for specialty chemicals remained stable. Sales volumes decreased slightly, mainly due to the inconsequential de-icing season in the fourth quarter of 2011. Specialty chemical products are delivered mainly to the food and feed (about 50% of the specialty chemicals revenue), chemical and pharmaceutical industries (about 40%), as well as to the airport runway de-icing.

Operative EBIT in 2011 decreased to EUR -1.2 million (-0.9) mainly due to significantly increased raw material costs and the unsubstantial de-icing season in the specialty chemicals business during the fourth quarter. The specialty chemicals operative EBIT margin in 2011 decreased to 11.3% (15.0%).

Parent company's financial performance

As of January 1, 2011, Kemira Oyj has acted as a principal for the European business operations. In this business model, Kemira Oyj purchases raw material and sells products to customers in Europe. Therefore, Kemira Oyj's revenue increased to EUR 1,365.3 million (322.3) in 2011. EBIT was EUR 86.7 million (159.3).

The parent company's net financial expenses were EUR 90.5 million positive (11.9). Net profit totaled EUR 245.6 million (194.4). Capital expenditure totaled EUR 216.9 million (20.9), excluding investments in subsidiaries.

Kemira Oyj's shares and shareholders

On December 31, 2011, 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 December, Kemira Oyj had 31,294 registered shareholders (30,170 at the end of December, 2010). Foreign shareholders held 13.8% of the shares (14.0%) including nominee registered holdings. Households owned 16.3% of the shares (16.2%). Kemira held 3,312,660 treasury shares (3,607,162) representing 2.1% (2.3%) of the all company shares. A total of 34,956 shares granted as share-based incentives were returned to Kemira during the year in accordance with the terms of the incentive plan as employment ended.

Kemira Oyj's share closed at EUR 9.18 on the NASDAQ OMX Helsinki at the end of 2011 (11.70). The share price decreased 21.5% during the year, while the OMX Helsinki Cap index decreased 28%. Shares registered a high of EUR 12.67 (13.19) and a low of EUR 7.80 (7.89). The average share price was EUR 10.49 (10.15). The company's market capitalization, excluding treasury shares, was EUR 1,396 million at the end of 2011 (1,775).

In 2011, Kemira Oyj's share trading volume on NASDAQ OMX Helsinki totaled 109.0 million (115.9) and was valued at EUR 1,113.0 million (1,164.7). The average daily trading volume was 430,882 (459,723) shares.

In addition to NASDAQ OMX Helsinki, Kemira shares are traded on several alternative market places or multilateral trading facilities (MTF), for example at Chi-X Europe, BATS and Turquoise. In 2011, a total of 23.0 million (11.8) Kemira Oyj shares were traded at alternative market places or approximately 17.5% (10.2%) of the total amount of traded shares.

Ownership Dec. 31, 2011

Corporations	41.4 %
Financial and insurance corporations	7.6 %
General goverment	16.6 %
Households	16.3 %
Non-profit institutions	4.3 %
Non-Finnish shareholders	0.6 %
Nominee registered	13.2 %

Shareholding by number of shares held December 31, 2011

Number of shares	Number of shareholders	% of shareholders	Shares total	% of shares and votes
1 - 100	5,714	18.0	358,808	0.2
101 - 500	13,389	42.8	3,676,968	2.4
501 - 1,000	5,540	17.7	4,129,628	2.7
1,001 - 5,000	5,611	17.9	11,277,822	7.3
5,001 - 10,000	531	1.7	3,801,304	2.4
10,001 - 50,000	376	1.2	7,621,008	4.9
50,001 - 100,000	57	0.2	4,022,685	2.6
100,001 - 500,000	59	0.2	12,473,604	8.0
500,001 - 1,000,000	5	0.0	3,509,881	2.3
1,000,001 -	12	0.0	104,470,849	67.2
Total	31,294	100.0	155 342 557	100.0
Including nominee-registered shares	11	0.0	20,490,213	13.2

Largest shareholders December 31, 2011

	Shareholder	Number of shares	% of shares and votes
1	Oras Invest Ltd	28,278,217	18.2
2	Solidium Oy	25,896,087	16.7
3	Varma Mutual Pension Insurance Company	11,585,836	7.5
4	Ilmarinen Mutual Pension Insurance Company	8,073,495	5.2
5	Mandatum Life	2,687,709	1.7
6	Tapiola Mutual Pension Insurance Company	2,600,000	1.7
7	The State Pension Fund	1,220,000	0.8
8	OP-Delta Fund	1,100,000	0.7
9	OP-Finland Value Fund	895,000	0.6
10	Kaleva Mutual Insurance Company	878,337	0.6
11	Nordea Fennia Fund	670,000	0.4
12	Danske Fund Finnish Institutional Equity	536,544	0.3
13	Sigrid Jusélius Foundation	530,000	0.3
14	Valio Pension Fund	493,236	0.3
15	Taaleritehdas Arvo Markka Osake Fund	480,000	0.3
16	Veritas Pension Insurance Company Ltd.	475,250	0.3
17	Nordea Life Assurance Finland Ltd.	445,000	0.3
18	OP-Focus Non-UCITS Fund	415,000	0.3
19	The Finnish Cultural Foundation	404,754	0.3
20	FIM Securities Ltd	381,000	0.2
	Kemira Oyj	3,312,660	2.1
	Nominee-registered shares	20,490,213	13.2
	Others, total	43,494,219	28.0
	Total	155,342,557	100.0

Share-based incentive plan for the Strategic Management Board

In February, 2009, Kemira Oyj's Board of Directors decided on a new share-based incentive plan aimed at Strategic Management Board members. The plan is divided into three one-year performance periods: 2009, 2010 and 2011. Payment depends on the achievement of the set EBIT targets. In January 2011, the Board of Directors decided to cancel the three-year goal included in the program, which was tied to the development of EBIT as a percentage of revenue by the end of 2011. Any payments will be paid as a combination of Kemira shares and cash payments covering the payable taxes, in accordance with the achievement of set goals. The combined value of shares and cash payments paid out during the course of the three-year share-based incentive plan may not exceed the individual's gross salary for the same period. Shares transferable under the plan comprise treasury shares or Kemira Oyj shares available in public trading. In addition to the share-based incentive plan aimed at Strategic Management Board members, Kemira has a share-based incentive plan for key personnel, from which the members of the Strategic Management Board are excluded. The share-based incentive plans aim at aligning the goals of Kemira’s shareholders and key personnel in order to increase the company’s value, motivate key personnel and provide them with competitive, shareholding-based incentives.

AGM decisions

Annual General Meeting

Kemira Oyj’s Annual General Meeting, held on March 22, 2011, confirmed a dividend of EUR 0.48 per share for 2010. The dividend was paid out on April 1, 2011.

The AGM authorized the Board of Directors to decide on the repurchase of a maximum of 4,500,000

Company's own shares. Shares will be repurchased by using unrestricted equity either through a tender offer with equal terms to all shareholders at a price determined by the Board of Directors or otherwise than in proportion to the existing shareholdings of the Company's shareholders in public trading on the NASDAQ OMX Helsinki Ltd (the "Helsinki Stock Exchange") at the market price quoted at the time of the repurchase. The price paid for the shares repurchased through a tender offer under 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 a 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 Euroclear Finland Ltd. Shares may be repurchased to be used for implementing or financing mergers and acquisitions, developing the Company's capital structure, improving the liquidity of the Company's shares or for the payment of the annual fee payable to the members of the Board of Directors, or for 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 upon other terms related to the share repurchase. The share repurchase authorization is valid until the end of the next Annual General Meeting. The authorization has not been exercised.

The AGM 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. 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 upon other terms related to the share issues. The share issue authorization is valid until May 31, 2012. The authorization has not been exercised.

The AGM elected KPMG Oy Ab to serve as the Company's auditor, with Pekka Pajamo, Authorized Public Accountant, acting as the principal auditor.

Other events during the review period

In April, Kemira Oyj has received summons stating that Cartel Damage Claims Hydrogen Peroxide SA (CDC) claims charges up to EUR 78 million from Kemira Oyj including interest and litigation expenses for violations against competition law in hydrogen peroxide business. The referred violations of competition law are the same as those on basis of which CDC has taken legal action in Dortmund, Germany. Kemira published a stock exchange release on the issue on August 19, 2009. Kemira defends against the claim.

In June, Kemira Oyj's subsidiary Kemira Chemicals Oy (former Finnish Chemicals Oy) received documents stated that CDC Project 13 Sa (CDC) has filed an action against four companies, including Kemira, for violations of competition law applicable to the sodium chlorate business. The European Commission set a fine of EUR 10.15 million in June 2008 to Finnish Chemicals Oy for antitrust activity in the company's sodium chlorate business 1994-2000. Kemira Oyj acquired Finnish Chemicals in 2005.

Corporate Governance and Group structure

Kemira Oyj's corporate governance is based on the Articles of Association, the Finnish Companies Act and NASDAQ OMX Helsinki Ltd's rules and regulations on listed companies. Furthermore, the Company complies with the Finnish Corporate Governance Code, with the exception that the Nomination Committee primarily consists of members outside the company's Board of Directors which is not in line with the Governance Code's recommendation 22. According to the view of the company's Board of Directors, it is in the best interest of the company and its shareholders that the biggest shareholders participate in preparing nomination and compensation issues related to the Board of Directors. The company's corporate governance is presented as a separate statement on the company's website. The statement is also attached to this financial statements bulletin.

Board of Directors

On March 22, 2011, the AGM elected seven Board members. The AGM reelected members Elizabeth Armstrong, Wolfgang Büchele, Juha Laaksonen, Pekka Paasikivi, Kerttu Tuomas and Jukka Viinanen to the Board of Directors and elected Winnie Kin Wah Fok as a new member. Pekka Paasikivi was elected to continue as the Board's chairman and Jukka Viinanen was elected as vice chairman. The remuneration paid to the members of the Board remained unchanged. In 2011, the Board of Directors met 10 times.
Kemira Oyj's Board of Directors has appointed two committees: the Audit Committee and the Compensation Committee. The Audit Committee is chaired by Juha Laaksonen and has Wolfgang Büchele and Jukka Viinanen as its members. In 2011, the Audit Committee met 5 times. The Compensation Committee is chaired by Pekka Paasikivi and has Kerttu Tuomas and Jukka Viinanen as its members. In 2011, the Compensation Committee met 4 times. The Annual General Meeting of Kemira Oyj decided to establish a Nomination Board to prepare a proposal for the Annual General Meeting concerning the composition and remuneration of the Board of Directors. The Nomination Board consists of representatives of the four largest shareholders of Kemira Oyj as of August 31, 2011 and the Chairman of the Board of Directors of the Company as an expert member.

Members of the Nomination Board are Jari Paasikivi, President and CEO of Oras Invest Oy; Kari Järvinen, Managing Director of Solidium Oy; Risto Murto, Executive Vice President, Varma Mutual Pension Insurance Company; Timo Ritakallio, Deputy CEO, Ilmarinen Mutual Pension Insurance Company; and Pekka Paasikivi, Chairman of Kemira's Board of Directors as an expert member. In 2011, the Nomination Board met once.

Changes to company management

In October, Kemira's Board of Directors appointed Wolfgang Büchele (PhD, Chemistry) as Kemira Oyj's President and Chief Executive Officer as of April 1, 2012. Büchele has been Member of Kemira's Board of Directors since 2009. He succeeds the current President and CEO, Harri Kerminen who will retire.

Hannu Virolainen MSc (Econ), MSc (Agriculture) was appointed President, Municipal & Industrial and Member of Kemira's Strategic Management Board as of November 1, 2011.

Structure

The acquisitions and divestments made during the year are discussed under segment information.

Short-term risks and uncertainties

At Kemira, a risk is defined as an event or circumstance, which, if it materializes, may affect Kemira's ability to meet its strategic and operational goals in a sustainable and ethical way. Kemira's risk management policy and principles proactively protect and help Kemira to reach the desired aggregate risk level and ensure the continuity of Kemira's operations.

Kemira's main short-term risks and uncertainties are related to uncertainties in the global economic development. A potential low-growth period in the global GDP would have a negative impact on the demand for Kemira's products, especially in the Paper segment, and it could also delay some future growth projects. Weak economic development may also have serious effects on the liquidity of Kemira's customers, which could result in increased credit losses for Kemira. The prices of many raw materials decrease in the unfavorable market conditions but the availability and price risk related to some of Kemira's raw materials may increase. Kemira's geographical and customer-industry diversity provides only partial protection against this risk.

Continuous improvement of profitability is a crucial part of Kemira's strategy. Significant increases in raw material, commodity or logistic costs could place Kemira's profitability targets at risk. For instance, high oil and electricity prices could materially weaken Kemira's profitability. Changes in the raw material supplier field, such as consolidation or decreasing capacity, may increase raw material prices. Poor availability of raw materials may affect Kemira's production if we fail to prepare for this by mapping out alternative suppliers or opportunities for process changes. Raw material and commodity risks can be effectively monitored and managed with Kemira's centralized Supply Chain Management function (SCM).

The lack of suitable and reliable partners for collaboration may slow down the development of an efficient business model in Asia. Development of the new products and their successful commercialization are crucial factors for Kemira's growth efforts in Asia, and possible failure in these is a considerable risk for the company's strategy.

Development of a profitable business in Asia can also be threatened by difficulties related to the intellectual property rights and local competitors. The growth and development of a profitable business model in Asia comes under risk if Kemira is not successful in hiring, inducting and managing to retain skilled and motivated employees. In line with its strategy, Kemira pays particular attention to the development of its operations and risk management in Asia. In practice, the risk management is executed by Kemira's organization in the Asia-Pacific (APAC) region.

Kemira holds assigned emissions allowances under the EU Emissions Trading System at one site in Sweden. In addition, the Oulu plants in Finland submitted a permit application to the authorities concerning emission.

Changes in the exchange rates of key currencies can affect Kemira's financials.

A detailed account of Kemira's risk management principles and organization is available on the company website at http://www.kemira.com. An account of the financial risks is available in the Notes to the Financial Statements 2011. Environmental and hazard risks are discussed in Kemira's Sustainability report that will be published in connection with the Kemira Annual Report 2011 the week beginning on February 20, 2012.

Events after the review period

Proposals of the Nomination Board to the Annual General Meeting 2012

In January 2012, Kemira Nomination Board proposed to the Annual General Meeting of Kemira Oyj that six members (previously seven) be elected to the Board of Directors and that the present members Elizabeth Armstrong, Winnie Fok, Juha Laaksonen, Kerttu Tuomas and Jukka Viinanen be re-elected as members of the Board of Directors and Jari Paasikivi be elected as a new member of the Board of Directors. The Nomination Board proposes Jukka Viinanen to be elected as the new Chairman of the Board of Directors and Jari Paasikivi to be elected as the new Vice Chairman. Currently, Pekka Paasikivi is the Chairman of the Board of Directors and Jukka Viinanen the Vice Chairman.

Mr. Jari Paasikivi (b. 1954). M.Sc. (Econ.) is currently acting as the President and CEO of Oras Invest Ltd. He is currently also the Chairman of the Board of Tikkurila Oyj and Uponor Oyj and a Board member of Oras Oy.

The Nomination Board proposed to the Annual General Meeting that the remuneration paid to the members of the Board of Directors will remain unchanged. Thus, the fees would be as follows: the Chairman will receive EUR 74,000 per year, the Vice Chairman EUR 45,000 per year and the other members EUR 36,000 per year. A fee payable for each meeting of the Board and its committees would be for the members residing in Finland EUR 600, the members residing in rest of Europe EUR 1,200 and the members residing outside Europe EUR 2,400. Travel expenses are proposed to be paid according to Kemira's travel policy.

In addition, the Nomination Board proposed to the Annual General Meeting that the annual fee be paid as a combination of the company's shares and cash in such a manner that 40% of the annual fee is paid with the company's shares owned by the company or, if this is not possible, with the shares purchased from the market, and 60% is paid in cash. The shares will be transferred to the members of the Board of Directors and, if necessary, acquired directly on behalf of the members of the Board of Directors within two weeks from the release of Kemira's interim report in January 1 - March 31, 2012. The meeting fees are proposed to be paid in cash.

Dividend and dividend policy

On December 31, 2011, Kemira Oyj's distributable funds totaled EUR 633,128,300 net profit of which accounted for EUR 245,598,837 for the period. No material changes have taken place in the company's financial position after the balance sheet date.

Kemira Oyj's Board of Directors proposes to the Annual General Meeting to be held on March 21, 2012 that a dividend of EUR 0.53, totaling EUR 81 million, shall be paid on the basis of the adopted balance sheet for the financial year ended December 31, 2011.

Kemira's aim is to distribute 40–60% of the operative net profit as dividend.

Outlook

Kemira's vision is to be a leading water chemistry company. Kemira will continue to focus on improving profitability and reinforcing positive cash flow. The company will also make investments to secure future growth in the water business.

Kemira's financial targets remain as communicated in connection with the Capital Markets Day in September 2010. The company's medium term financial targets are:

- revenue growth in mature markets > 3% per year, and in emerging markets > 7% per year
- EBIT, % of revenue > 10%
- positive cash flow after investments and dividends
- gearing level < 60%.

The basis for growth is the growing water chemicals markets and Kemira's strong know-how in water quality and quantity management. Increasing water shortage, tightening legislation and customer needs to increase operational efficiency create opportunities for Kemira to develop new water applications for both new and current customers. Investment in research and development is a central part of Kemira's strategy. The focus of Kemira's research and development activities is on the development and commercialization of new innovative technologies for Kemira's customers globally and locally.

In the near term, uncertainty in Europe and a slowdown in global economic growth may affect the demand for our products in the customer industries. In 2012, Kemira expects the revenue and operative EBIT to be slightly higher than in 2011.

Helsinki, February 7, 2012

Kemira Oyj
Board of Directors

Financial key figures, definitions of key figures as well as information on shareholders, management shareholding and related parties' events are presented in the financial statements and in the notes to the financial statements.

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.

Shares and shareholders

Shares and share capital

On December 31, 2011, 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 general meeting. Kemira Oyj's shares are registered in the book-entry system maintained by Euroclear Finland Ltd.

Shareholders

At the end of 2011, Kemira Oyj had 31,294 registered shareholders (30,170). Foreign shareholders held 13.8% of the shares (14.0%), including nominee registered holdings. Households owned 16.3% of the shares (16.2%). At the year-end, Kemira held 3,312,660 treasury shares (3,607,162), representing 2.1%% (2.3%) of all company shares. A list of Kemira's largest shareholders that is updated monthly can be found on the company website at www.kemira.com > investors.

Listing and trading

Kemira Oyj's shares are listed on NASDAQ OMX Helsinki. The trading code for the shares is KRA1V and the ISIN code is FI0009004824.

Kemira Oyj's share closed at EUR 9.18 at the NASDAQ OMX Helsinki at the end of 2011 (11.70). The share price decreased 21.5% during the year while OMX Helsinki Cap index decreased 28%. Shares registered a high of EUR 12.67 (13.19) and a low of EUR 7.80 (7.89). The average share price was EUR 10.49 (10.15). The company's market capitalization, excluding treasury shares, was EUR 1,396 million at the year-end (1,775).

In 2011, Kemira Oyj's share trading volume on NASDAQ OMX Helsinki totaled 109.0 million (115.9) and was valued at EUR 1,113.0 million (1,164.7). The average daily trading volume was 430,882 (459,723) shares.

In addition to NASDAQ OMX Helsinki, Kemira shares are traded on several alternative market places or multilateral trading facilities (MTF), for example at Chi-X Europe, BATS and Turquoise. In 2011, a total of 23.0 million (11.8) Kemira Oyj shares were traded at alternative market places, or approximately 17.5% (10.2%) of the total amount of traded shares.

Up-to-date information on Kemira's share price is available on the company's website at www.kemira.com > Investors.

Dividend policy and dividend distribution

Kemira aims to distribute a dividend that accounts 40-60% of its operative net income.

The company´s Board of Directors will propose to the Annual General Meeting that a per-share dividend of EUR 0.53 (0.48) totaling EUR 81 million be paid for the financial year 2011, accounting for a dividend payout of about 60% (60%) of operative net income. Dividend record date is March 26, 2011 and payout April 2, 2011.

In April, 2011, a dividend of EUR 0.48 per share was paid for the financial year ended December 31, 2010. The dividend record date was March 25, 2011, and the payment (EUR 73 million in total) date April 1, 2011.

Board authorizations

The Annual General Meeting on March 22, 2011 authorized the Board of Directors to decide upon repurchase of a maximum of 4,500,000 Company's own shares. Shares will be repurchased by using unrestricted equity either through a tender offer with equal terms to all shareholders at a price determined by the Board of Directors or otherwise than in proportion to the existing shareholdings of the Company's shareholders in public trading on the NASDAQ OMX Helsinki Ltd (the "Helsinki Stock Exchange") at the market price quoted at the time of the 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 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 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 upon other terms related to share repurchase. The share repurchase authorization is valid until the end of the next Annual General Meeting. The Board had not exercised its authorization by December 31, 2011.

The Annual General Meeting on March 22, 2011 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. 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 upon other terms related to the share issues. The share issue authorization is valid until May 31, 2012. The Board had not exercised its authorization by December 31, 2011.

Management shareholding

The members of the Board of Directors as well as the President and CEO and his Deputy held 512,605 (471,621) Kemira Oyj shares on December 31, 2011, or 0.33% (0.30%) of all outstanding shares and voting rights (including treasury shares and shares held by the related parties and controlled corporations). Harri Kerminen, President and CEO, held 205,577 shares on December 31, 2011 (181,357). Board members are not covered by the share-based incentive plan. Members of the Management Boards, excluding the President and CEO and his Deputy, held a total of 348,777 shares on December 31, 2011 (485,644), representing 0.22% (0.31%) of all outstanding shares and voting rights (including treasury shares and shares held by the related parties and controlled corporations). Updated information regarding the shareholdings of the Board of Directors and management is available at Kemira’s website at www.kemira.com > Investors.

GROUP KEY FIGURES

FINANCIAL FIGURES

	2011	2010	2009	2008	2007
INCOME STATEMENT AND PROFITABILITY					
Revenue, EUR million [1]	**2,207**	2,161	1,970	2,833	2,810
Operating profit, EUR million [2]	**158**	156	110	74	143
% of revenue	**7**	7	6	3	5
Share of profit or loss of associates, EUR million [1] [2]	**31**	9	-5	-3	2
Finance income and costs (net), EUR million [1]	**21**	27	38	69	52
% of revenue	**1**	1	2	2	2
Interest cover [1] [2]	**12**	10	5	4	6
Profit before tax, EUR million [1]	**168**	138	67	2	93
% of revenue	**8**	6	3	0	3
Net profit for the period (attributable to equity holders of the parent), EUR million [1]	**136**	111	54	-2	64
Return on investment (ROI), %	**9**	7	7	4	8
Return of equity (ROE), %	**10**	9	7	0	6
Return on capital employed (ROCE), %	**11**	10	8	3	7
Research and development expenses, EUR million [1]	**40**	42	37	71	66
% of revenue	**2**	2	2	3	2
CASH FLOW					
Net cash generated from operating activities, EUR million	**178**	133	288	90	172
Disposals of subsidiaries and property, plant and equipment and intangible assets, EUR million	**137**	-6	2	254	-
Capital expenditure, EUR million	**201**	107	86	342	321
% of revenue	**9**	5	3	12	11
Cash flow after capital expenditure, EUR million	**115**	169	202	3	-149
Cash flow return on capital invested (CFROI), %	**8**	6	12	4	8
BALANCE SHEET AND SOLVENCY					
Non-current assets, EUR million	**1,846**	1,862	1,886	1,906	1,877
Shareholders' equity (Equity attributable to equity holders of the parent), EUR million	**1,358**	1,340	1,250	963	1,072
Total equity, EUR million	**1,371**	1,366	1,269	976	1,087
Total liabilities, EUR million	**1,306**	1,178	1,548	1,884	1,741
Total assets, EUR million	**2,677**	2,544	2,817	2,860	2,828
Interest-bearing net liabilities, EUR million	**516**	536	676	1,049	1,003
Equity ratio, %	**51**	54	45	34	39
Gearing, %	**38**	39	53	107	92
Interest-bearing net liabilities / EBITDA	**2.0**	1.9	2.5	4.3	3.2
PERSONNEL					
Personnel (average)	**5,006**	5,608	8,843	9,954	10,008
of whom in Finland	**1,145**	1,241	1,929	2,659	3,033
EXCHANGE RATES					
Key exchange rates (December 31)					
USD	**1.294**	1.336	1.441	1.392	1.472
SEK	**8.912**	8.966	10.252	10.870	9.442
BRL	**2.416**	2.217	2.511	3.244	2.583

[1] The financial figures for 2010 and 2009 are presented without the spin-off effect of Tikkurila.

[2] The share of profit or loss of associates is presented after finance expenses.

GROUP KEY FIGURES

PER SHARE FIGURES

	2011	2010	2009	2008	2007
PER SHARE FIGURES					
Earnings per share, continuing operations, basic, EUR [1) 3)]	**0.89**	0.73	0.40		
Earnings per share, basic, EUR [1) 3)]	**0.89**	4.23	0.61	-0.01	0.48
Earnings per share, continuing operations, diluted, EUR [1) 3)]	**0.89**	0.73	0.40		
Earnings per share, diluted, EUR [1) 3)]	**0.89**	4.23	0.61	-0.01	0.48
Cash flow from operations per share, EUR [1) 3)]	**1.17**	0.88	2.13	0.68	1.29
Dividend per share, EUR [1) 2) 3) 4)]	**0.53**	0.48	0.27	0.23	0.45
Dividend payout ratio, % [1) 2) 3) 4)]	**59.4**	65.7	44.3	-1,634.2	95.2
Dividend yield [1) 2) 4)]	**5.8**	4.1	2.6	4.2	3.5
Equity per share, EUR [1)]	**8.94**	8.83	8.25	7.94	8.85
Price per earnings per share (P/E ratio) [1) 3)]	**10,28**	16.01	17.14	-388.28	27.41
Price per equity per share [1) 3)]	**1.03**	1.33	1.26	0.75	1.63
Price per cash flow per share [1) 3)]	**7.85**	13.34	4.87	7.98	10.14
Dividend paid, EUR million [2) 4)]	**80.6**	72.8	41.0	30.3	60.6
SHARE PRICE AND TURNOVER					
Share price, year high, EUR [3)]	**12.67**	13.19	11.63	13.43	17.45
Share price, year low, EUR [3)]	**7.80**	7.89	3.87	4.93	11.92
Share price, year average, EUR [3)]	**10.49**	10.15	7.64	7.91	14.93
Share price, end of year, EUR [3)]	**9.18**	11.70	10.39	5.40	13.09
Number of shares traded (1,000)	**109,013**	115,850	83,792	117,397	151,643
% on number of shares	**70**	75	54	97	125
Market capitalization, end of year, EUR million	**1,395.6**	1,775.3	1,574.0	719.9	1,745.1
INCREASE IN SHARE CAPITAL					
Average number of shares, basic, (1,000) [1)]	**151,994**	151,697	134,824	121,191	121,164
Average number of shares, dilutes, (1,000) [1)]	**152,152**	152,017	135,085	121,191	121,194
Number of shares at end of year, basic, (1,000) [1)]	**152,030**	151,735	151,488	121,191	121,191
Number of shares at end of year, diluted (1,000) [1)]	**152,030**	152,055	151,748	121,191	121,191
Increase in number of shares (1,000)	**295**	247	30,298	-	203
Share capital, EUR million	**221.8**	221.8	221.8	221.8	221.8
Increase in share capital - share options, EUR million	**-**	-	-	-	0.2

[1)] Number of shares outstanding, excluding the number of shares bought back.

[2)] The total cash dividend payout during 2010 for the financial year 2009 was EUR 41.0 million (EUR 0.27 per share), in addition to Tikkurila shares which were distributed as a dividend to a total amount of EUR 599.3 million (EUR 3.95 per shares). Kemira distributed to its shareholders as dividend to a total of 37,933,097 shares in Tikkurila. The purchase price of Tikkurila's share was EUR 15.80. Tikkurila's shares were distributed as a dividend to the shareholders. Each Kemira's four shares entitled one Tikkurila's share as dividend. The share figures based on dividend are calculated in accordance with cash dividend.

[3)] Rights offering restatements

[4)] The dividend for 2011 is the Board of Director's proposal to the Annual General Meeting.

DEFINITIONS OF KEY FIGURES

PER SHARE FIGURES

EARNINGS PER SHARE (EPS)
$$\frac{\text{Net profit attributable to equity holders of the parent}}{\text{Average number of shares}}$$

CASH FLOW FROM OPERATIONS
Cash flow from operations, after change in net working capital and before investing activities

CASH FLOW FROM OPERATIONS PER SHARE
$$\frac{\text{Cash flow from operations}}{\text{Average number of shares}}$$

DIVIDEND PER SHARE
$$\frac{\text{Dividend paid}}{\text{Number of shares at end of year}}$$

DIVIDEND PAYOUT RATIO
$$\frac{\text{Dividend per share x 100}}{\text{Earnings per share (EPS)}}$$

DIVIDEND YIELD
$$\frac{\text{Dividend per share x 100}}{\text{Share price at end of year}}$$

EQUITY PER SHARE
$$\frac{\text{Equity attributable to equity holders of the parent at end of year}}{\text{Number of shares at end of year}}$$

SHARE PRICE, YEAR AVERAGE
$$\frac{\text{Share traded (EUR)}}{\text{Share traded (volume)}}$$

PRICE PER EARNINGS PER SHARE (P/E)
$$\frac{\text{Share price at end of year}}{\text{Earnings per share (EPS)}}$$

PRICE PER EQUITY PER SHARE
$$\frac{\text{Share price at end of year}}{\text{Equity per share attributable to equity holders of the parent}}$$

PRICE PER CASH FLOW PER SHARE
$$\frac{\text{Share price at end of year}}{\text{Cash flow from operations per share}}$$

SHARE TURNOVER, %
$$\frac{\text{Number of share traded x 100}}{\text{Weighted average number of shares}}$$

FINANCIAL FIGURES

INTEREST-BEARING NET LIABILITIES
Interest-bearing liabilities - cash and cash equivalents

EQUITY RATIO, %
$$\frac{\text{Total equity x 100}}{\text{Total assets - prepayments received}}$$

GEARING, %
$$\frac{\text{Interest-bearing net liabilities x 100}}{\text{Total equity}}$$

INTEREST COVER
$$\frac{\text{Operating profit + depreciation, impairments and reversal of impairments}}{\text{Net financial expenses}}$$

RETURN ON INVESTMENTS (ROI), %
$$\frac{\text{(Profit before taxes + interest expenses + other financial expenses) x 100}}{\text{(Total assets - interest free liabilities)}^{1)}}$$

RETURN ON EQUITY (ROE), %
$$\frac{\text{Net profit attributable to equity holders of the parent x 100}}{\text{Equity attributable to equity holders of the parent}^{1)}}$$

CASH FLOW RETURN ON INVESTMENT (CFROI), %
$$\frac{\text{Cash flow from operations x 100}}{\text{(Total assets - interest-free liabilities)}^{1)}}$$

RETURN ON CAPITAL EMPLOYED (ROCE), %
$$\frac{\text{Operating profit + share of profit or loss of associates x 100}}{\text{Capital employed}^{1)\,2)}}$$

CAPITAL TURNOVER
$$\frac{\text{Revenue}}{\text{Capital employed}^{1)\,2)}}$$

INTEREST-BEARING NET LIABILITIES / EBITDA
$$\frac{\text{Interest-bearing net liabilities}}{\text{Operating profit + depreciation, impairments and reversal of impairments}}$$

NET FINANCIAL COST, %
$$\frac{\text{(Net financial expenses - dividend income - exchange rate differences) x 100}}{\text{Interest-bearing net liabilities}^{1)}}$$

1) Average

2) Capital employed = Net working capital + property and equipment available for use + intangible assets + investments in associates

CONSOLIDATED INCOME STATEMENT (IFRS)

(EUR million)

		Year ended 31 December	
	Note	**2011**	2010
CONTINUING OPERATIONS			
Revenue	2	**2,207.2**	2,160.9
Other operating income	3	**22.5**	25.4
Operating expenses	4, 5	**-1,970.1**	-1,920.6
Depreciation, amortization and impairment	6, 12	**-101.3**	-109.6
Operating profit		**158.3**	156.1
Finance income	7	**10.8**	6.9
Finance costs	7	**-33.1**	-33.7
Exchange differences	7	**1.4**	-0.6
Finance costs, net	7	**-20.9**	-27.4
Share of profit or loss of associates	2, 8	**31.0**	9.2
Profit before tax		**168.4**	137.9
Income tax expense	9	**-28.1**	-22.0
Net profit for the period from continuing operations		**140.3**	115.9
DISCONTINUED OPERATIONS			
Net profit for the period from discontinued operations	10	**-**	531.0
Net profit for the period		**140.3**	646.9
Profit attributable to, continuing operations:			
Equity holders of the parent		**135.6**	110.9
Non-controlling interests		**4.7**	5.0
Net profit for the period from continuing operations		**140.3**	115.9
Earnings per share for profit attributable to the equity holders of the parent company (in EUR per share)			
From continuing operations, basic and diluted	11	**0.89**	0.73
From discontinued operations, basic and diluted	11	**-**	3.50
Earnings per share		**0.89**	4.23

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

(EUR million)

	Note	Year ended 31 December 2011	2010
Net profit for the period		**140.3**	646.9
Other comprehensive income			
Available-for-sale financial assets		**-24.1**	16.9
Exchange differences on translating foreign operations		**-4.6**	71.5
Net investment hedge in foreign operations		**0.4**	-11.3
Cash flow hedges		**-14.5**	12.2
Other changes		**0.0**	-0.6
Other comprehensive income for the period, net of tax	9, 19	**-42.8**	88.7
Total comprehensive income for the period		**97.5**	735.6
Total comprehensive income attributable to:			
Equity holders of the parent		**93.8**	729.4
Non-controlling interests		**3.7**	6.2
Total comprehensive income for the period		**97.5**	735.6

CONSOLIDATED BALANCE SHEET (IFRS)

(EUR million)

	Note	As at 31 December 2011	2010
ASSETS			
NON-CURRENT ASSETS			
Goodwill	12	**606.0**	607.9
Other intangible assets	13	**67.5**	75.0
Property, plant and equipment	14	**656.0**	661.2
Investments in associates	8	**158.8**	139.5
Available-for-sale financial assets	15, 16	**256.5**	284.7
Deferred income tax assets	22	**47.3**	43.7
Other investments		**9.7**	10.3
Defined benefit pension receivables	23	**44.3**	39.5
Total non-current assets		**1,846.1**	1,861.8
CURRENT ASSETS			
Inventories	17	**228.2**	202.8
Interest-bearing receivables	16, 18	**0.5**	0.4
Trade and other receivables	16, 18	**391.2**	380.0
Current income tax assets		**24.7**	6.9
Cash and cash equivalents	29	**185.8**	91.8
Total current assets		**830.4**	681.9
Total assets		**2,676.5**	2,543.7

	Note	As at 31 December 2011	2010
EQUITY AND LIABILITIES			
EQUITY	19		
Equity attributable to equity holders of the parent			
Share capital		**221.8**	221.8
Other equity		**1,136.7**	1,118.1
Equity attributable to equity holders of the parent		**1,358.5**	1,339.9
Non-controlling interests		**12.3**	25.9
Total equity		**1,370.8**	1,365.8
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	16, 20, 21	**464.5**	499.1
Deferred income tax liabilities	22	**86.5**	99.5
Pension liabilities	23	**52.4**	55.2
Provisions	24	**50.3**	54.7
Total non-current liabilities		**653.7**	708.5
CURRENT LIABILITIES			
Interest-bearing current liabilities	16, 20, 21	**237.1**	128.3
Trade payables and other liabilities	16, 25	**383.8**	316.6
Current income tax liabilities		**24.8**	14.7
Provisions	24	**6.3**	9.8
Total current liabilities		**652.0**	469.4
Total liabilities		**1,305.7**	1,177.9
Total equity and liabilities		**2,676.5**	2,543.7

CONSOLIDATED STATEMENT OF CASH FLOW (IFRS)

(EUR million)

	Note	Year ended 31 December 2011	2010
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the period		**140.3**	641.9
Adjustments for			
Depreciation, amortization and impairment	6	**101.3**	114,3
Income taxes	9	**28.1**	24.0
Finance expenses, net	7	**20.9**	29,0
Share of profit or loss of associates	7	**-31.0**	-9.2
Other non-cash income and expenses not involving cash flow		**-27.0**	-546.7
Operating profit before change in working capital		**232.6**	253.3
Change in working capital			
Increase (-) / decrease (+) in inventories		**-24.6**	-33.6
Increase (-) / decrease (+) in trade and other receivables		**-35.5**	-65.8
Increase (+) / decrease (-) in trade payables and other liabilities		**57.4**	36.0
Change in working capital		**-2.7**	-63.4
Cash generated from operations		**229.9**	189.9
Interest and other finance cost paid		**-34.1**	-39.8
Interest and other finance income received		**7.5**	6.1
Realized exchange gains and losses		**10.5**	-0.3
Dividends received		**1.3**	0.1
Income taxes paid		**-37.4**	-22.9
Net cash generated from operating activities		**177.7**	133.1
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of subsidiaries, net of cash acquired	26	**-**	-31.6
Purchases of other shares		**-102.8**	-0.4
Purchases of property, plant, equipment and intangible assets		**-98.3**	-75.2
Change in long-term loan receivables decrease (+) / increase (-)		**1.6**	148.8
Proceeds from sale of subsidiaries, net of cash disposed [1)]	26	**1.7**	-20.0
Paid in capital from associates		**11.7**	-
Proceeds from sale of other shares		**96.9**	-
Proceeds from sale of property, plant and equipment		**26.8**	13.9
Net cash used in investing activities		**-62.4**	35.5
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from non-current interest-bearing liabilities		**16.0**	101.7
Repayment from non-current interest-bearing liabilities		**-103.3**	-72.5
Short-term financing, net (increase +, decrease -)		**154.6**	-330.2
Dividends paid		**-77.8**	-45.2
Purchase of non-controlling interests		**-13.2**	-
Other finance items		**-0.5**	-13.0
Net cash used in financing activities		**-24.2**	-359.2
Net increase (+) / decrease (-) in cash and cash equivalents		**91.1**	-190.6
Cash and cash equivalents at end of period		**185.8**	91.8
Exchange gains (+) / losses (-) on cash and cash equivalents		**-2.9**	-7.8
Cash and cash equivalents at beginning of the period		**91.8**	274.6
Net increase (+) / decrease (-) in cash and cash equivalents		**91.1**	-190.6

[1)] 1-12/2010 include cash and cash equivalents transferred to Tikkurila as well as the loan repayment from Tikkurila.

[2)] Includes Tikkurila until March 25, 2010.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

(EUR million)

	Attributable to holders of the parent									
	Share capital	Share premium	Fair value and other reserves	Unrestricted equity reserve	Exchange differences	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
Equity at January 1, 2010	221.8	257.9	95.8	196.3	-79.9	-25.9	583.6	1,249.6	19.2	1,268.8
Net profit for the period							641.9	641.9	5.0	646.9
Other comprehensive income, net of tax			29.1		58.6		-0.2	87.5	1.2	88.7
Total comprehensive income			29.1		58.6		641.7	729.4	6.2	735.6
Transactions with owners										
Dividends paid [1)]							-640.3	-640.3	-4.2	-644.5
Treasury shares issued to target group of share-based incentive plan						1.7		1.7		1.7
Share-based payments							-0.3	-0.3		-0.3
Changes due to business combinations							-0.2	-0.2	4.7	4.5
Transfers in equity			0.1				-0.1	0.0		0.0
Transactions with owners			0.1			1.7	-640.9	-639.1	0.5	-638.6
Equity at December 31, 2010	221.8	257.9	125.0	196.3	-21.3	-24.2	584.4	1,339.9	25.9	1,365.8
Equity at January 1, 2011	**221.8**	**257.9**	**125.0**	**196.3**	**-21.3**	**-24.2**	**584.4**	**1,339.9**	**25.9**	**1,365.8**
Net profit for the period							135.7	**135.7**	4.6	**140.3**
Other comprehensive income, net of tax			-38.6		-3.3			**-41.9**	-0.9	**-42.8**
Total comprehensive income			**-38.6**		**-3.3**		**135.7**	**93.8**	**3.7**	**97.5**
Transactions with owners										
Dividends paid							-73.0	**-73.0**	-4.8	**-77.8**
Treasury shares issued to target group of share based incentive plan						1.9		**1.9**		**1.9**
Share-based payments							-0.9	**-0.9**		**-0.9**
Changes due to business combinations							-2.9	**-2.9**	-12.5	**-15.4**
Transfers in equity			2.9				-2.9	**0.0**		**0.0**
Other changes							-0.3	**-0.3**		**-0.3**
Transactions with owners			**2.9**			**1.9**	**-80.0**	**-75.2**	**-17.3**	**-92.5**
Equity at December 31, 2011	**221.8**	**257.9**	**89.3**	**196.3**	**-24.6**	**-22.3**	**640.1**	**1,358.5**	**12.3**	**1,370.8**

1) Total dividend payout during 2010 was EUR 640.3 million, of which cash dividend was EUR 41.0 million. In addition, EUR 599.3 million was distributed as Tikkurila shares.

Notes to consolidated financial statements

1. THE GROUP'S ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

COMPANY PROFILE

Kemira is an international chemicals group, that consists of four segments: Paper, Municipal & Industrial, Oil & Mining and Other. The Group's main clients are industries that use a lot of water. Kemira offers solutions for water quality and volume management that help improve customers' energy, water and raw material efficiency. Kemira's vision is to be a leading water chemicals company.

The Group's parent company is Kemira Oyj. The parent company is domiciled in Helsinki, Finland, and its registered address is Porkkalankatu 3, FI-00180 Helsinki, Finland. The parent company is listed on NASDAQ OMX Helsinki. A copy of the Consolidated Financial Statements is available at www.kemira.com. The Board of Directors of Kemira Oyj has approved the financial statements for publication at its meeting on February 8, 2012. The annual general meeting can change the financial statements after their approval.

BASIS OF PREPARATION

The Group has prepared its Consolidated Financial Statements in accordance with IAS and IFRS (International Financial Reporting Standards) and the related SIC and IFRIC interpretations, issued by the IASB (International Accounting Standards Board). In the Finnish Accounting Act and the statutes under it, the International Financial Reporting Standards refer to the endorsed standards and their interpretations under the European Union Regulation No. 1606/2002, regarding the adoption of the International Financial Reporting Standards applicable within the Community. The Notes to the Consolidated Financial Statements also comply with the requirements of the Finnish accounting and corporate legislation, which supplement the IFRS regulations.

The Consolidated Financial Statements have been prepared based on historical cost unless otherwise stated in the accounting policies below. Among the items measured at fair value are available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, and share-based payments on their grant date. The Consolidated Financial Statements are presented in euro, which is the parent company's functional currency, and in million euro.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards, amendments and interpretations adopted by the Group

As of 1 January 2011 the Group has applied as from the following standards, their amendments and interpretations that have come into effect. These had no significant impact on the Consolidated Financial Statements for the financial year 2011.

- Revised IAS 24 *Related Party Disclosures*: The revised standard clarifies the definition of a related party in order to simplify the identification of related party relationships particularly in relation to significant influence and joint control. Certain disclosures in respect of government-related entities have changed.

- Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*: The amendment relates to the accounting treatment (classification) of issues of rights, options or warrants in a currency other than the issuer's functional currency.

- Amendments to IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement*: The amended interpretation allows prepayments of certain voluntary contributions being recognized as an asset when there is a minimum funding requirement (MFR).

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*: The interpretation clarifies the accounting treatment when an entity renegotiates the terms of a financial liability with its creditor and as a result issues equity instruments to a creditor of the entity to settle the financial liability fully or partially.

- *Improvements to IFRSs* (May 2010): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total seven standards. Their impacts vary standard by standard but are not significant.

Notes to consolidated financial statements

Adoption of new and amended standards and interpretations

The Group has not yet adopted the following new and amended standards and interpretations already issued. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

* = not yet endorsed for use by the European Union

- Amendments to IFRS 7 *Financial Instruments: Disclosures* (effective for financial years beginning on or after 1 July 2011): The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial instruments and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The Group is yet to assess the full impact of the amendments.

- Amendments to IAS 12 *Income Taxes** (effective for financial years beginning on or after 1 January 2012): The amendments deal with the underlying assumption related to the recognition of deferred tax. Based on the amendments the carrying amounts of certain assets carried at fair value, e.g. those of investment properties, are expected to be recovered primarily through sale in future rather than through use. The Group is yet to assess the full impact of the amendments.

- Amendments to IAS 1 *Presentation of Financial Statements** (effective for financial years beginning on or after 1 July 2012): The major change is the requirement to group items of other comprehensive income as to whether or not they will be reclassified subsequently to profit or loss when specific conditions are met. The amendments only have an impact on the presentation of the Kemira's Consolidated Financial Statements.

- Amendment to IAS 19 *Employee Benefits** (effective for financial years beginning on or after 1 January 2013): In future all actuarial gains and losses are immediately recognized in other comprehensive income, i.e. the corridor approach is eliminated, and finance costs are calculated on a net funding basis. The Group is yet to assess the full impact of the amendments.

- IFRS 10 *Consolidated Financial Statements** (effective for financial years beginning on or after 1 January 2013): IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the Consolidated Financial Statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess the full impact of the new standard.

- IFRS 11 *Joint Arrangements** (effective for financial years beginning on or after 1 January 2013): In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future jointly controlled entities are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. The Group is yet to assess the full impact of the new standard.

- IFRS 12 *Disclosures of Interests in Other* Entities* (effective for financial years beginning on or after 1 January 2013): IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The Group is yet to assess the full impact of the new standard.

- IFRS 13 *Fair Value Measurement** (effective for financial years beginning on or after 1 January 2013): IFRS 13 establishes a single source of for all fair value measurements and disclosure requirements for use across IFRSs. The new standard also provides a precise definition of fair value. IFRS 13 does not extend the use of fair value accounting, but it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. The Group is yet to assess the full impact of the new standard.

- IAS 27 (revised 2011) *Separate Financial Statements** (effective for financial years beginning on or after 1 January 2013): The revised standard includes the provisions on separate financial statements that are left after the control provisions have been included in the new IFRS 10. The Group is yet to assess the full impact of the revised standard.

- IAS 28 (revised 2011) *Investments in Associates and Joint Ventures** (effective for financial years beginning on or after 1 January 2013): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted. The Group is yet to assess the full impact of the revised standard.

Notes to consolidated financial statements

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine** (effective for financial years beginning on or after 1 January 2013): The interpretation provides guidance to the accounting treatment of stripping costs in the production phase of a surface mine, when benefit from the stripping activity is realized in two ways: in the form of mineral ores to the production of inventory, and on the other hand in the form of improved access to further quantities of material that will be mined in future periods. The interpretation has no impact on the Kemira's Consolidated Financial Statements.

- Amendments to IFRS 7 *Financial Instruments: Disclosures** (effective for financial years beginning on or after 1 January 2013): The amended standard requires the presentation of information that will allow evaluation of the effects of netting arrangements on the entity's financial position. The disclosures required by those amendments are to be provided retrospectively. The Group is yet to assess the full impact of the amendment.

- Amendments to IAS 32 Financial Instruments: Presentation* (effective for financial years beginning on or after 1 January 2014): The amendments provide clarifications on the application of requirements for offsetting financial assets and financial liabilities on the balance sheet. The amended standard is to be applied retrospectively. The Group is yet to assess the full impact of the amendment

- IFRS 9 *Financial Instruments** and subsequent amendments (effective date deferred by IASB for financial years beginning on or after 1 January 2015 (previously 1 January 2013)): IFRS 9 is the first step of the IASB's three-phase project to replace the current IAS 39 *Financial Instruments: Recognition and Measurement*. The amendments resulting from the first phase address the classification, measurement and recognition of financial assets and financial liabilities. Different ways of measurement for financial assets have been retained, but simplified. Based on measurement, financial assets are classified into two main groups: financial assets at amortized cost and financial assets at fair value. Classification depends on a company's business model and the characteristics of contractual cash flows. For financial liabilities, the standard retains most of the IAS 39 requirements. The Group is yet to assess the full impact of the amendments.

CONSOLIDATION AND SUBSIDIARIES

The Consolidated Financial Statements include the parent company and its subsidiaries. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Also the existence of a potential control is taken into account when the instruments entitling to potential voting rights are currently exercisable. Divested companies are consolidated until the date when such control ceases, and companies acquired during the year are included from the date on which control transfers to the Group.

All intra-group transactions are eliminated. The acquisition method is used to eliminate intra-group shareholdings. The consideration transferred for the acquisition of a subsidiary is defined as an aggregate of the fair values of the assets transferred, the liabilities assumed and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the aggregate of consideration transferred~~,~~ the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

Net profit or loss for the financial year and other comprehensive income attributable to the equity holders of the parent and non-controlling interests are presented in the income statement and in the statement of comprehensive income. The portion of equity attributable to non-controlling interests is stated as an individual item separately from equity to the equity holders of the parent. Total comprehensive income shows separately the total amounts attributable to the equity holders of the parent and to non-controlling interests. The Group recognizes negative non-controlling interests, unless non-controlling interests have a binding obligation to cover losses up to the amount of their investment.

If the parent company's ownership interest in a subsidiary is reduced but the control is retained, the transactions are treated as equity transactions. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in the carrying amount recognized in profit or loss.

The Group has applied to the business combinations occurred prior to January 1, 2010 the previous provisions in force at that time

Notes to consolidated financial statements

ASSOCIATES

Associated companies are companies over which the Group exercises significant influence (shareholding of 20-50 percent). Holdings in associated companies are consolidated using the equity method. The Group's share of the associated companies' net profit for the financial year is stated as a separate item in the consolidated income statement after operating profit, in proportion to the Group's holdings. The Group's share of its associates' movements in other comprehensive income is recognized in Group's other comprehensive income. If the Group's share of an associate's losses exceeds the carrying amount of the investment, the exceeding losses will not be consolidated unless the Group has a commitment to fulfill obligations on behalf of the associate.

JOINT VENTURES

Joint ventures are companies over which the Group shares control with other parties. They are included in the Consolidated Financial Statements line by line, in proportion to the Group's holdings. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash-flows with similar items in the Group's financial statements.

FOREIGN SUBSIDIARIES

In the Consolidated Financial Statements, the income statements of foreign subsidiaries are translated into euro using the financial year's average foreign currency exchange rates and the balance sheets using the exchange rates quoted on the balance sheet date. Retranslating the net profit for the period and the other comprehensive income using different exchange rates in the income statement and in the balance sheet causes a translation difference recognized in equity in the balance sheet; the change in this translation difference is presented under other comprehensive income. Goodwill and fair value adjustments to the carrying amounts of the assets and liabilities that arise upon the acquisition of a foreign entity are accounted for as part of the assets and liabilities of the foreign entity, and translated into euro at the rate quoted on the balance sheet date.

The "Hedge accounting" section describes hedging of net investments in the Group's foreign units. When hedge accounting is applied, the exchange rate gains and losses of such loans and derivatives are credited or charged to equity, against the translation differences arising from the translation of the equity amounts as stated in the approved balance sheets of the subsidiaries. These translation differences from hedge accounting are presented under other comprehensive income. Other translation differences affecting equity are stated as an increase or decrease in other comprehensive income. When the Group ceases to have control in a subsidiary, the accumulated translation difference is transferred into the income statement as part of gain or loss on sale.

ITEMS DENOMINATED IN FOREIGN CURRENCY

In their day-to-day accounting, Group companies translate foreign currency transactions into their functional currency at the exchange rates quoted on the transaction date. In the financial statements, foreign currency denominated receivables and liabilities are measured at the exchange rates quoted on the balance sheet date, and non-monetary items using the rates quoted on the transaction date. Any foreign exchange gains and losses related to business operations are treated as adjustments to sales and purchases. Exchange rate differences associated with financing transactions and the hedging of the Group's overall foreign currency position are stated in foreign exchange gains or losses under financial income and expenses. Subsidiaries mainly hedge their sales and purchases in foreign currencies, primarily using forward contracts taken out with the Group Treasury as hedging instruments. The effects of subsidiaries' hedging transactions are recognized as adjustments to business units' revenue and purchases.

REVENUE

Revenue includes the total invoicing value of products sold and services rendered less, as adjusting items, sales tax, discounts and foreign exchange differences in trade receivables.

REVENUE RECOGNITION PRINCIPLES

The revenue from sale of goods is recognized in the income statement when major risks and rewards of ownership of the goods have been transferred to the buyer. Service and rental income is accounted for an insignificant share of the Group revenue.

PENSION OBLIGATIONS

The Group has both defined contribution and defined benefit pension plans, in accordance with the local conditions and practices in the countries in which it operates. Pension plans are generally funded through contributions to insurance

Notes to consolidated financial statements

companies or a separate pension fund. Contributions under defined contribution plans are recognized in the income statement for the period when an employee has rendered service.

The Group calculates obligations under defined benefit plans separately for each plan. The amount recognized as a defined benefit liability (or asset) equals the difference between the present value of the defined benefit obligation and the fair value of plan assets. The effect of possible unrecognized past service costs and actuarial gains and losses are also taken into account in the net liability. Defined benefit obligations are calculated by using the Projected Unit Credit Method to amortize the accumulated benefits over the period of service. Pension costs are recognized as expenses over the employee's service period, using actuarial calculations. The discount rate used to calculate the present value of post-employment benefit obligations is determined by reference to market yields on high-quality corporate bonds. If the country in question does not have deep bond markets, the expected return of government bonds is used.

Actuarial gains or losses are recognized in the income statement using the so-called corridor method, over the average remaining working lives of the participating employees to the extent that they exceed the higher of the following: 10% of the pension obligation or 10% of the fair value of the plan assets.

SHARE-BASED PAYMENTS

The Group operates a number of equity-settled share-based compensation plans. These benefits are measured at fair value on their grant date and expensed on a straight-line basis under employee benefit costs in the income statement over the instrument's vesting period. On each balance sheet date, the Group updates the assumed final number of the shares and the amounts of the related cash payments. Notes 5 and 32 provide information on this arrangement and its measurement factors.

BORROWING COSTS

Borrowing costs are expensed in the financial year in which they occur. The borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset form part of the cost of that asset if the recognition requirements are met.

INCOME TAXES

The income taxes presented in the consolidated income statement include taxes based on the taxable profit of the Group companies for the financial year, and changes in deferred tax assets and liabilities. If the taxes are directly related to equity or items included in the other comprehensive income, they are included in the said items.

A deferred tax asset and a deferred tax liability are calculated on the temporary differences arising between the carrying amount and the taxable value. Deferred tax assets, related e.g. to accumulated losses, are recognized to the extent that it is probable that the taxable profit will be available in the future, against which the tax unit in question is able to utilize these deferred tax assets. The tax rates in force on the date of the financial statements, or these enacted by the balance sheet date for the following financial year, are used in measuring the deferred tax assets and liabilities.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Research costs are expensed in the income statement. Development costs, which result in planning of new or substantially improved products and processes, are capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources to complete its development and use or sell the intangible asset. Since most of the Group's development costs do not meet the above-mentioned capitalization criteria, they are expensed. Capitalized development costs are presented as a separate item and amortized over their useful lives of a maximum of eight years.

Other intangible assets include for instance software and software licenses as well as brands and customer bases acquired in business combinations.

Goodwill arises from business combinations. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is measured at cost less accumulated impairment losses.

Property, plant and equipment (PP&E) and intangible assets (with definite useful lives) are measured at cost less accumulated depreciation and amortization and any impairment losses. The Group has no intangible assets with an indefinite useful life other than goodwill.

Depreciation/amortization is calculated on a straight-line basis over the asset's useful life. The most commonly applied depreciation/amortization periods according to the Group's accounting policies are as follows:

Notes to consolidated financial statements

•	Machinery and equipment	3-15 years
•	Buildings and constructions	25 years
•	Intangible assets	5-10 years

The residual values and useful lives of assets are reviewed at least at the end of each financial year. Gains and losses on the sale of non-current assets are included in other operating income and expenses, respectively. Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of the asset in question when it is probable that they will generate future economic benefit and the costs can be reliably measured. The costs of major inspections or the overhaul of PP&E performed at regular intervals and identified as separate components are capitalized and depreciated over their useful lives. Depreciation on an item of property, plant and equipment discontinues when it is classified as held for sale.

GOVERNMENT GRANTS

Government grants related to the investments are recognized by deducting the grant from the carrying amount of these assets. These grants are recognized in the income statement in the form of smaller depreciation over the asset's useful life. Government grants related to research activities are deducted from expenses.

LEASES

Leases involving tangible assets, in which the Group acts as a lessee, are classified as finance leases if substantially all of the risks and rewards of ownership transfer to the Group.

Upon the commencement of the lease term, the finance lease assets are recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments. These assets and related rental obligations are presented as part of Group's non-current assets and interest-bearing liabilities. In respect of the finance lease contracts, depreciation on the leased assets and interest expenses from the related liability are shown in the income statement.

Rents paid based on operating leases are expensed on a straight-line basis over the lease terms.

When the Group is a lessor, it recognizes assets held under a finance lease as receivables in the balance sheet. Assets held under operating leases are included in PP&E.

In accordance with interpretation IFRIC 4 *Determining whether an Arrangement Contains a Lease*, the Group treats as leases the arrangements that do not take the legal form of a lease but convey the rights to use assets in return for a payment or series of payments.

INVENTORIES

Inventories are measured at the lower of cost and net realizable value. Cost is determined on a first-in first-out (FIFO) basis or using a weighted average cost formula, depending on the nature of the inventory. The cost of finished goods and work in progress include proportion of production overheads of normal level of capacity. The net realizable value is the sales price received in the ordinary course of business less the estimated costs for completing the asset and the sales costs.

FINANCIAL ASSETS, FINANCIAL LIABILITIES AND DERIVATIVE CONTRACTS

When a financial asset or a financial liability is initially recognized on the trade date, it is measured at cost, which equals the fair value of the consideration given or received. The Group's financial assets are classified for subsequent measurement as financial assets at fair value through profit or loss, loans and receivables issued by the Group, and available-for-sale financial assets.

Category	Financial instrument	Measurement
Financial assets at fair value through profit or loss	Currency forward contracts, currency options, currency swaps, interest rate forwards , interest rate futures, interest rate options, interest rate swaps, electricity forwards, natural gas derivatives, certificates of deposit, commercial papers, units in mutual funds, embedded derivatives	Fair value
Loans and receivables	Non-current loan receivables, bank deposits, trade receivables and other receivables	(Amortized) cost
Available-for-sale financial assets	Shares, bond investments	Fair value

Notes to consolidated financial statements

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are measured at fair value. Fair value is the amount for which an asset could be exchanged or loans paid between knowledgeable, willing parties in an arm's length transaction. These derivative contracts to which hedge accounting in accordance with IAS 39 is not applied are classified as financial assets held for trading. These are classified as financial assets at fair value through profit or loss. In the balance sheet, these items are shown under prepaid expenses and accrued income and accrued expenses and prepaid income. Any gains or losses arising from changes in fair value are recognized through profit or loss on the transaction date in financial items.

Loans and receivables

Loans and receivables include non-current receivables carried at amortized cost using the effective interest rate method and accounting for any impairment.

Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value if it is considered that fair value can be determined reliably. Unrealized changes in fair value of financial assets available for sale are recognized in other comprehensive income and presented under equity in the fair value reserve taking into account the tax effect. Accumulated changes in fair value are transferred to the income statement as a reclassification adjustment when the investment is divested or it has been impaired to the extent that an impairment loss has to be recognized. Available-for-sale financial assets include bond investments and shares in listed and non-listed companies, the shareholdings in Pohjolan Voima Oy ('PVO') and Teollisuuden Voima Oy ('TVO') representing the largest investments.

Pohjolan Voima Oy and its subsidiary Teollisuuden Voima Oyj comprise a private electricity-generating group owned by Finnish manufacturing and power companies, to which it supplies electricity at cost. Pohjolan Voima Group owns and operates, among others, two nuclear power plant units in Olkiluoto in the municipality of Eurajoki. The Group has A and C series shares in TVO and A, B, C, E, G, H and I series shares in PVO. Different share series entitle the shareholder to electricity generated by different power plants. The owners of each share series are responsible for the fixed costs of the series in question in proportion to the number of the shares, regardless of whether they use their power or energy share or not, and for variable costs in proportion to the amount of energy used.

Kemira Oyj's holding in Pohjolan Voima Group that entitles to electricity from completed power plants is measured at fair value based on the discounted cash flow resulting from the difference between the market price of electricity and the cost price. The spot price of electricity published by the Nordic Electricity Exchange has been used as the market price for electricity. The cost prices are specified to each share series. Future cash flows have been discounted based on the estimated useful lives of the plants related to each share series. When calculating the discount rate, the average weighted cost of capital that is determined annually has been used. The note on Management of financial risks discusses how changes in the measurement assumptions affect fair values.

The portion of the holding entitling to electricity from the nuclear power plant currently under construction in Finland was re-measured in 2008. These shares in the earlier financial statements, were measured at cost. The re-measurement made in 2008 was based on the market price of the shares, which was determined in May 2008 in an external third-party share transaction. In the financial statements 2009-2011, the measurement of the shares related to the nuclear power plant currently under construction has not been changed.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, demand deposits and other short-term, highly liquid investments. Items classified as cash and cash equivalents have a maximum maturity of three months from the date of purchase. Credit facilities in use are included in current interest-bearing liabilities.

Impairment of financial assets

The Group assesses any impairment losses on its financial instruments on each balance sheet date. An impairment of a financial asset is recognized when an event with a negative effect on the future cash flows from the investment has occurred. For items measured at amortized cost, the amount of the impairment loss equals the difference between the asset's carrying amount and the present value of estimated future cash flows from the receivable. This is discounted at the financial asset's original effective interest rate. For items measured at fair value, the fair value determines the amount of impairment. Impairment charges are recognized under financial items in the income statement.

The Group sells certain trade receivables to finance companies within the framework of limits stipulated in the agreement. The credit risk associated with these sold receivables and contractual rights to the financial assets in question are transferred from the Group on the selling date. The related expenses are charged to financial expenses.

Notes to consolidated financial statements

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss and other financial liabilities. Financial liabilities at fair value through profit and loss include derivatives to which the hedge accounting is not applied.

Category	Financial instrument	Measurement
Financial liabilities at fair value through profit or loss	Currency forward contracts, currency options, currency swaps, interest rate forwards, interest rate futures, interest rate options, interest rate swaps, electricity forwards, natural gas derivatives, embedded derivatives	Fair value
Other financial liabilities	Current and non-current loans, pension loans, trade payables	(Amortized) cost

Derivatives

The fair values of currency, interest rate and commodity derivatives and units in mutual funds as well as publicly traded shares are based on prices quoted in active markets on the balance sheet date. The value of other financial instruments measured at fair value is determined on the basis of valuation models using information available in the financial market. For value determination, the Group uses values calculated on the basis of market data entered in the treasury management system.

Changes in the value of forward contracts are calculated by measuring the contracts against the forward exchange rates on the balance sheet date and comparing them with the counter values calculated through the forward exchange rates on the date of entry into the forward contracts. The fair value of currency options is calculated using the Black & Scholes valuation model for options as adapted to the Group’s currency environment. Input data required for valuation, such as the exchange rate of the destination country’s currency, the contract exchange rate, volatility and the risk-free interest rate are based on public market information. The fair value of interest rate derivatives is determined using the market value of similar instruments on the balance sheet date. Other derivatives are measured at the market price on the balance sheet date.

All of the derivatives open on the balance sheet date are measured at their fair values. As a rule, fair value changes from open derivative contracts are recognized through profit or loss under financial items in the Consolidated Financial Statements. The number of embedded derivatives used by the Group is low.

Other financial liabilities are initially recognized in the balance sheet initially at the value of received net assets deducted with direct costs. Later, these financial liabilities are measured at amortized cost, and the difference between the received net assets and amortizations is recognized as interest costs over the loan term.

HEDGE ACCOUNTING

According to IAS 39, hedge accounting refers to a method of accounting aimed at allocating one or more hedging instruments in such a way that their fair value offsets, in full or in part, changes in the fair value or cash flows of the hedged item. Hedge accounting is applied to hedges against the interest rate risk and the currency risk associated with a net investment in a foreign operation, as well as to hedges of commodity risk. The hedge accounting models used include cash flow hedging and the hedging of a net investment in a foreign operation.

Cash flow hedging

Cash flow hedging is used to hedge against variability in cash flows attributable to a particular risk associated with a recognized asset or liability in the balance sheet or a highly probable forecast transaction. Interest rate and commodity derivatives are used as investment instruments in cash flow hedging. Interest rate and commodity derivatives are used as hedging instruments in cash flow hedges. Cash flow hedge accounting, specified in IAS 39 is applied by the Group to only selected hedging items. Changes in the fair value of derivative instruments associated with cash flow hedge are recognized in other comprehensive income (including the tax effect) and presented under equity, providing that they fulfill the criteria set for hedge accounting and are based on effective hedging. The ineffective portion of the gain or loss on the hedging instrument is recognized under financial items in the income statement. Derivatives not fulfilling the hedge accounting criteria are recognized in financial items through profit or loss.

Net investment hedges in a foreign operation

A net investment made in a foreign operation is hedged against foreign exchange rate fluctuations by raising long-term loans in foreign currency and by entering into forward contracts and currency swaps. Changes in the fair value of the

Notes to consolidated financial statements

effective portion of the hedging instruments fulfilling the criteria for hedging a net investment in a foreign operation are recognized under other comprehensive income and presented under equity in exchange differences, net of tax effect. In currency forward contracts, the interest rate difference to be left outside the change in value of the hedging relationship is recognized as financial income or expenses. Any gains or losses arising from hedging of a net investment are recorded in the income statement when the net investment is disposed of. The ineffective portion of the hedging is recognized immediately under financial items in the income statement.

Hedge effectiveness is monitored as required by IAS 39. Effectiveness refers to the capacity of a hedging instrument to offset changes in the fair value of the hedged item or cash flows from a hedged transaction, which are due to the realization of the risk being hedged. A hedging relationship is considered to be highly effective when the change in the fair value of the hedging instrument offsets changes in the cash flows attributable to the hedged items in the range of 80-125 percent. Hedge effectiveness is assessed both prospectively and retrospectively. Testing for hedge effectiveness is repeated on each balance sheet date.

Hedge accounting discontinues when the criteria for hedge accounting are no longer fulfilled. Gains or losses recognized in other comprehensive income and presented under equity are derecognized and transferred immediately in the income statement, if the hedged item is sold or falls due. However, gains or losses arising from changes in the fair value of those derivatives not fulfilling the hedge accounting criteria under IAS 39 are recognized directly in the income statement.

At the inception of a hedge, the Group has documented the existence of the hedging relationship, including the identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, the objectives of risk management and the strategy for undertaking hedging as well as a description of how hedge effectiveness is assessed.

TREASURY SHARES

Purchases of own shares (treasury shares), including the related costs, are deducted directly from equity in the Consolidated Financial Statements.

PROVISIONS

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of this obligation can be made. A restructuring provision is recognized if a detailed and appropriate plan has been prepared for it and the plan's implementation has begun or it has been notified to those whom the restructuring concerns. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation on the balance sheet date. If the time value of money is material, a provision will be discounted.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets held for sale and net assets associated with discontinued operations are classified as held for sale, under IFRS 5. They are measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Depreciation on these assets discontinues at the time of classification.

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and it meets one of the following criteria:

- it represents a separate major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

The profit or loss of the discontinued operation is stated as a separate item in the consolidated income statement.

IMPAIRMENT OF ASSETS

On each balance sheet date, the Group's assets are assessed to determine whether there is any indication of an asset's impairment. If any indication of impairment exists, the recoverable amount of the asset or the cash-generating unit is calculated on the basis of the value in use or the net selling price. Annual impairment tests cover goodwill and intangible assets with indefinite useful lives, or intangible assets not yet ready for use.

The cash-generating unit has been defined as the customer segment. The level of a customer segment is one notch down from an operating segment. Goodwill impairment is tested by comparing the customer segment's recoverable amount with

Notes to consolidated financial statements

its carrying amount. The Group does not have intangible assets with indefinite useful lives other than goodwill. All goodwill has been allocated to the customer segments.

The recoverable amount of a customer segment is defined as its value in use, which consists of the discounted future cash flows to the unit. Estimates of future cash flows are based on continuing use of an asset and on the latest five-year forecasts by the business unit's management. The annual growth rate used to extrapolate cash flows subsequent to the forecast period is assumed to be zero. Cash flow estimates do not include the effects of improved asset performance, investments or future reorganizations. The Kemira Corporate Center's expenses are allocated to the strategic business units in proportion to EBITDA.

An impairment loss is recognized, whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. An impairment loss is recognized in the income statement. Note 12 provides more detailed information on impairment testing.

If there has been a positive change in the estimates used to determine an asset's recoverable amount since the last impairment loss was recognized, an impairment loss recognized previously is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized. An impairment loss for goodwill is never reversed.

EMISSIONS ALLOWANCES

The Group holds assigned emissions allowances, under the EU emissions trading system, only at its Helsingborg site in Sweden. Carbon dioxide allowances are accounted for as intangible assets measured at cost. Carbon dioxide allowances received free of charge are measured at their nominal value (zero). A provision for the fulfillment of the obligation to return allowances is recognized if the free-of-charge allowances are not sufficient to cover actual emissions. The Group's consolidated balance sheet shows no items related to emissions allowances when the volume of actual emissions is lower than that of the free-of-charge emissions allowances and the Group has not bought allowances in the market. Note 31, Environmental risks and liabilities, provides information on emissions allowances.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and they are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The impairment tests of goodwill and other assets include determining future cash flows which, with regard to the most significant assumptions, are based on gross margin levels, discount rates and the projected period. Major adverse developments in cash flows and interest rates may necessitate the recognition of an impairment loss.

The Group's investments include non-listed shares, holdings in Pohjolan Voima Group representing the largest of these. The Group's shareholding in the company is measured at fair value, based on the discounted cash flow resulting from the difference between the market price of electricity and the cost price. Developments in the actual fair value may differ from the estimated value, due e.g. to electricity prices, the forecast period or the discount rate.

Determining pension liabilities under defined benefit pension plans includes assumptions, and significant changes in these assumptions may affect the amounts of pension liabilities and expenses. Actuarial calculations include assumptions by the management, such as expected long-term return on assets in pension funds, the discount rate and assumptions of salary increases and the termination of employment contracts. Actual share price changes in the market, among other things, may differ from the management's assumptions.

Recognizing provisions requires the management's estimates, since the precise euro amount of obligations related to provisions is not known when preparing the financial statements.

For the recognition of deferred tax assets on tax losses and other items, the management assesses the amount of a probable future taxable profit against which unused tax losses and unused tax credits can be utilized. Actual profits may differ from the forecasts and in such a case the change will affect the taxes in future periods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

2. SEGMENT INFORMATION

AN OVERVIEW OF THE GROUP STRUCTURE

The Group has organized its business into customer-based segments with P/L responsibilities being Paper, Municipal & Industrial, Oil & Mining and Other.

Group’s global functions are responsible for the exploitation of internal synergies. The functions manage and coordinate certain company-wide functions, such as human resources, legal affairs, logistics, purchasing and sourcing, treasury, risk management, internal audit, finance, IT management, R&D, environmental protection and communications. These functions are organized globally and they offer their services to all Kemira businesses.

Geographically, the Group’s operations are divided into four regions: North America, South America, Asia Pacific (APAC) and Europe, Middle East and Africa (EMEA). The organizations of the geographical regions are responsible for building joint cost efficient infrastructures for all operations.

DESCRIPTION OF REPORTABLE SEGMENTS

Segment information is presented, in a manner consistent with the Group’s internal organizational and reporting structure as defined in IFRS 8 “Operating segments”.

Assets and liabilities dedicated to a particular segment’s operations are included in that segment’s total assets and liabilities. Segment assets include property, plant and equipment, intangible assets, investments in associates, inventories and non-interest bearing receivables. Segment liabilities include current non-interest bearing liabilities.

Transfer prices used between the Group entities are determined on the basis of arm's lenght principle.

Paper

The Paper segment provides customers in the pulp and paper industry with products and product packages that improve their profitability, raw material and energy efficiency, and promote sustainable development.

Municipal & Industrial

The Municipal & Industrial segment offers water treatment chemicals for municipal and industrial water treatment. The strengths are high-level process know-how, a comprehensive range of water treatment chemicals and reliable customer deliveries.

Oil & Mining

The Oil & Mining segment offers a large selection of innovative chemical extraction and process solutions for the oil and mining industries, where water plays a central role. Utilizing its expertise, the segment enables its customers to improve efficiency and productivity.

Other

The Other segment consists of organic salts and acids of the ChemSolutions operations, and the Group expenses are not charged to the segments (some research and development costs and CEO Office costs). The ChemSolutions focuses on serving customers in the food and feed markets as well as in the pharmaceutical and chemical industries.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

2011	Paper	Municipal & Industrial	Oil & Mining	Other	Eliminations	Group
Total segment revenue	973.3	664.7	335.7	233.5		**2,207.2**
Inter-segment revenue						**0.0**
Revenue from external customers	**973.3**	**664.7**	**335.7**	**233.5**		**2,207.2**
Operating profit	**79.5**	**43.7**	**34.9**	**0.2**		**158.3**
Finance costs, net						**-20.9**
Share of profit or loss of associates						**31.0**
Profit before tax						**168.4**
Income tax						**-28.1**
Net profit for the period						**140.3**
Depreciation and amortization	-44.8	-30.1	-10.8	-13.6		**-99.3**
Impairments and reversal of impairments	-1.6	-0.4				**-2.0**
Other non-cash items	-1.8	-2.9	-0.2	1.6		**-3.3**
Capital expenditure	-43.5	-28.8	-9.6	-119.2		**-201.1**

OTHER SEGMENT INFORMATION

	Paper	Municipal & Industrial	Oil & Mining	Other	Eliminations	Group
Capital employed by segments (net)	761.6	394.8	145.9	371.1		**1,673.4**
Assets by segments	918.4	499.1	179.9	279.0		**1,876.4**
Investments in associates	0.1			158.7		**158.8**
Available-for-sale financial assets						**256.5**
Deferred income tax assets						**47.3**
Other investments						**9.7**
Defined benefit pension receivables						**44.3**
Other assets						**97.7**
Cash and cash equivalents						**185.8**
Total assets						**2,676.5**
Liabilities by segments	156.9	104.3	34.1	66.6		**361.9**
Interest-bearing non-current financial liabilities						**464.5**
Interest-bearing current financial liabilities						**237.1**
Other liabilities						**242.2**
Total liabilities						**1,305.7**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

2010	Paper	Municipal & Industrial	Oil & Mining	Other	Eliminations	Continuing operations	Dis-continued operations	Group
Total segment revenue	984.3	643.6	297.5	235.5		2,160.9	108.2	2,269.1
Inter-segment revenue				0.1	-0.1	0.0	0.0	0.0
Revenue from external customers	984.3	643.6	297.5	235.6		2,160.9	108.2	2,269.1
Operating profit	68.4	55.8	31.9	0.0		156.1	5.3	161.4
Finance costs, net						-27.4	-1.6	-29.0
Share of profit or loss of associates						9.2		9.2
Profit before tax						137.9	3.7	141.6
Income tax						-22.0	-1.9	-23.9
Profit for Tikkurila spin-off							529.2	529.2
Net profit for the period						115.9	531.0	646.9
Depreciation and amortization	-47.7	-25.6	-9.3	-14.1		-96.7	-4.7	-101.4
Impairments and reversal of impairments	-12.9					-12.9		-12.9
Other non-cash items	2.0	1.2	0.7	0.2		4.1		4.1
Capital expenditure	-33.2	-47.6	-13.3	-13.7		-107.8	-2.2	-110.0
OTHER SEGMENT INFORMATION								
Capital employed by segments (net)	781.1	393.3	140.6	365.0		1,680.0		1,680.0
Assets by segments	911.9	495.3	171.0	264.1		1,842.3		1,842.3
Investments in associates	0.2			139.3		139.5		139.5
Available-for-sale financial assets								284.7
Deferred income tax assets								43.7
Other investments								10.3
Defined benefit pension receivables								39.5
Other assets								91.9
Cash and cash equivalents								91.8
Total assets						1,981.8		2,543.7
Liabilities by segments	131.0	102.0	30.4	38.4		301.8		301.8
Interest-bearing non-current financial liabilities								499.1
Interest-bearing current financial liabilities								128.3
Other liabilities								248.7
Total liabilities								1,177.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

INFORMATION ABOUT GEOGRAPHICAL AREAS

Analysis of revenue by geographical area based on customer location

	Group 2011	Continuing operations 2010	Dis-continued operations 2010	Group 2010
Finland, domicile of the parent company	**315.2**	279.5	29.2	308.7
Other Europe, Middle East and Africa	**938.2**	927.7	77.6	1,005.3
North America	**661.5**	659.8		659.8
South America	**164.1**	157.2		157.2
Asia Pacific	**128.2**	136.7	1.4	138.1
Total	**2,207.2**	2,160.9	108.2	2,269.1

Analysis of non-current assets by geographical area

	2011	2010
Finland, domicile of the parent company	**787.8**	847.5
Other Europe, Middle East and Africa	**502.7**	456.6
North America	**270.3**	277.7
South America	**160.8**	167.2
Asia Pacific	**31.6**	28.4
Total	**1,753.2**	1,777.4

Information about major customers

Due to the Group's amount of revenues from many significant customers, revenues from the Group of 10 % or more are not derived from a single external customer amount in 2011 or 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(EUR million)

3. OTHER OPERATING INCOME

	2011	2010
Gains on sale of non-current assets	**10.9**	12.3
Rental income	**1.9**	1.4
Consulting	**0.0**	0.4
Services	**3.5**	4.0
Sale of scrap and waste	**0.2**	0.1
Income from royalties, know-how and licenses	**0.8**	0.5
Other income from operations	**5.2**	6.7
Total	**22.5**	25.4

The gains on sale of property, plant and equipment in 2011 include EUR 9.9 million (EUR 11.9 million) gains on sale of subsidiaries, gains on sale of property and production facilities.

4. OPERATING EXPENSES

	2011	2010
Change in inventories of finished goods (inventory increase + / decrease -)	**22.6**	15.1
Own work capitalized [1)]	**-2.6**	-1.8
Total	**20.0**	13.3
Materials and services		
Materials and supplies		
Purchases during the financial year	**1,191.2**	1,136.6
Change in inventories of materials and supplies (inventory increase + / decrease -)	**2.8**	14.7
External services	**16.9**	18.5
Total	**1,210.9**	1,169.8
Personnel costs	**288.5**	302.1
Other operating expenses		
Rents	**37.4**	37.0
Loss on sales of property, plant and equipment	**0.2**	0.3
Other expenses	**413.1**	398.1
Total	**450.7**	435.4
Total operating expenses	**1,970.1**	1,920.6

[1)] Own work capitalized comprises mainly wages, salaries and other personnel expenses and changes in inventories relating to self-constructed property, plant and equipment for own use.

Other operating expenses include research and development expenses of EUR 36.5 million (EUR 39.2 million) and amortization of capitalized development costs of EUR 3.2 million (EUR 2.4 million). Government grants received in amount of EUR 5.9 million (EUR 3.4 million) reduce the research and development expenses.

Non-recurring items included in the research and development expenses of EUR 0.2 million (EUR 0.7 million).

In 2011, the income statement included a net decrease in non-current and current provisions amounting to EUR 7.8 million (EUR 3.1 million). Provisions are disclosed in note 24.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

	Note	2011	2010
EMPLOYEE BENEFITS			
Wages and salaries			
Emoluments of Boards of Directors and Managing Directors		**10.3**	12.7
Wages		**221.6**	235.3
Share-based payments	5	**3.7**	3.3
Total		**235.6**	251.3
Indirect employee benefits costs			
Pension expenses for defined benefit plans	23	**0.0**	4.5
Pension expenses for defined contribution plans		**20.4**	14.5
Other employee benefits costs		**32.5**	31.8
Total		**52.9**	50.8
Total employee benefits costs		**288.5**	302.1

Kemira Oyj's CEO and Board of Directors salaries and bonuses are presented in note 32 Related-party transactions.

AVERAGE NUMBER OF PERSONNEL BY GEOGRAPHICAL AREAS[1)]

	2011	2010
Europe, Middle East and Africa	**2,919**	3,569
North America	**1,395**	1,359
South America	**412**	409
Asia Pacific	**280**	271
Total	**5,006**	5,608
Personnel in Finland, average	**1,145**	1,241
Personnel outside Finland, average	**3,861**	4,367
Total	**5,006**	5,608
Personnel at year end	**5,006**	4,935

[1)] Includes Tikkurila until March 25, 2010

AUDITORS' FEES AND SERVICES

	2011	2010
KPMG Oy		
Audit fees	**1.1**	1.3
Tax services	**0.5**	0.4
Other services	**0.2**	0.3
Total	**1.8**	2.0

Fees for services paid to auditing companies other than KPMG Oy amounting to EUR 1.2 million (EUR 2.7 million) were mainly related to consultation, not to statutory audit.

5. SHARE-BASED PAYMENTS

SHARE-BASED INCENTIVE PLAN FOR KEY PERSONNEL

The Board of Directors of Kemira Oyj has decided on a share-based incentive plan directed to the company's key personnel as part of the Group's incentive schemes. The plan aims to align the goals of the Group's shareholders and key executives in the Group in order to raise the value of the company. A competitive, ownership-based incentive plan has been designed as a means to achieve the goal and ensure the commitment of key management.

The incentive plans are based on a one year performance period during 2007-2012. The potential reward will be paid out during the year following the performance period. The criteria for reward payments shall be based on financial targets that must be reached. The potential reward shall be paid as a combination of Kemira shares and cash payment. The value of these payments are measured at fair value on the basis of the share price on the closing date or on the balance sheet date, and the payments is approximately 1.1-fold value of transferred shares.

In 2010, the financial targets were achieved, and a total of 233,850 (134,577) shares were allocated to the key personnel in March 2011. A total of 5,449 (3,694) of these shares were returned to Kemira Oyj due to the fact that reward conditions of the key personnel were not met. For the incentive plan of 2007, 2008 and 2011 the vesting period were ended and the financial targets were not achieved.

The shares transferable under the plan comprise treasury shares or Kemira Oyj shares available for public trading.

Share-based incentive plan 2009

Vesting period	2009
Fair value of the reward paid as shares, EUR million	0.6
Fair value of the reward paid in cash, EUR million	1.8
Estimated realization on closing date, shares	130,977
Release date of shares	03/2012
Number of persons	57

Share-based incentive plan 2010

Vesting period	2010
Fair value of the reward paid as shares, EUR million	1.9
Fair value of the reward paid in cash, EUR million	2.6
Estimated realization on closing date, shares	228,401
Release date of shares	04/2013
Number of persons	64

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

SHARE-BASED INCENTIVE PLANS FOR STRATEGIC MANAGEMENT BOARD MEMBERS

The Kemira Board of Directors has decided a share-based incentive plan aimed at Strategic Management Board members, as part of the company's incentive and commitment schemes. The plan is divided into three vesting periods, which are 2009, 2010 and 2011. Incentive payment depends on the set operating profit target.

Any payments will be paid as a combination of Kemira shares and cash payments covering the taxes, according to the achievement of set goals. The combined value of shares and cash payments paid out in the course of the three-year share-based incentive plan may not exceed the individual's gross salary for the same period.

Shares earned through the share-based incentive plan must be held for a minimum of two years following date of each payment. In addition, members of the Strategic Management Board must retain shares obtained through the share-based incentive programs at least to the value of their gross annual salary for as long as they remain in the company's employment.

In 2010, the financial targets were achieved, and a total of 85,933 (111,408) shares were allocated to the Strategic Management Board members in March 2011. A total of 29,507 (5,552) of these shares were returned to Kemira Oyj due to the fact that reward conditions of the members were not met. For the incentive plan of 2011 the vesting period was ended and the financial targets were not achieved.

The shares transferable under the plan comprise treasury shares or Kemira Oyj shares available for public trading.

Share-based incentive plan 2009

Vesting period	2009
Fair value of the reward paid as shares, EUR million	1.4
Fair value of the reward paid in cash, EUR million	1.4
Estimated realization on closing date, shares	84,637
Release date of shares	03/2012
Number of persons	9

Share-based incentive plan 2010

Vesting period	2010
Fair value of the reward paid as shares, EUR million	0.9
Fair value of the reward paid in cash, EUR million	0.9
Fair value of the reward paid in cash, EUR million	77,645
Release date of shares	03/2013
Number of persons	9

The effect of share-based incentive plans on operating profit	Key personnel	Strategic Management Board members	**2011 Total**	2010 Total
Share component	0.8	0.7	**1.5**	1.3
Cash component	1.5	0.7	**2.2**	2.0
Total	2.3	1.4	**3.7**	3.3

(EUR million)

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	2011	2010
Amortization of intangible assets		
Other intangible assets	**11.1**	9.0
Development cost	**3.8**	3.8
Total	**14.9**	12.8
Depreciation of property, plant and equipment		
Buildings and structures	**15.5**	15.6
Machinery and equipment	**66.9**	66.7
Other tangible assets	**1.8**	1.6
Total	**84.2**	83.9
Impairment of intangible assets		
Other intangible assets	**0.3**	0.1
Total	**0.3**	0.1
Impairment of property, plant and equipment		
Buildings and structures	**1.3**	3.2
Machinery and equipment	**0.6**	9.6
Total	**1.9**	12.8
Total depreciation, amortization and impairment	**101.3**	109.6

In December 2010, an impairment loss of EUR 12.9 million was recognized, related to a Calcium Sulphate plant in Siilinjärvi, Finland. The impairment loss was recognized in the income statement in the row of depreciations and impairment. The impairment loss was related to the plant in Siilinjärvi concerning the Paper segment that is considered to have a lower fair value than its book value, and it was allocated to thre property, plant and equipment and intangible assets. In 2011, an impairment loss of EUR 1.7 million is recognized in relation to Siilinjärvi plant.

Impairment tests for goodwill are disclosed in Note 12.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

7. FINANCE INCOME AND EXPENSES

	2011	2010
Finance income		
Dividend income	**1.3**	0.1
Interest income		
Interest income from loans and receivables	**4.4**	2.8
Interest income from financial assets valued through profit or loss	**3.6**	3.3
Other finance income	**1.5**	0.7
Total	**10.8**	6.9
Finance expenses		
Interest expenses		
Interest expenses from other liabilities	**-13.8**	-17.6
Interest expenses from financial assets valued through profit or loss	**-11.7**	-11.7
Other finance expenses [1)]	**-7.6**	-4.4
Total	**-33.1**	-33.7
Exchange gains and losses		
Exchange gains and losses from financial assets and liabilities valued through profit or loss	**12.7**	31.7
Exchange gains and losses from loans and other receivables	**-0.3**	-
Exchange gains and losses from other liabilities	**-11.0**	-32.3
Total	**1.4**	-0.6
Total finance income and expenses	**-20.9**	-27.4
Net finance expenses as a percentage of revenue	**0.9**	1.3
Net interest as a percentage of revenue	**0.8**	1.1
Change in consolidated statement of comprehensive income from hedge accounting instruments		
Hedge of net investments in foreign entities [2)]	**0.4**	-11.3
Cash flow hedge accounting: Amount recognized in comprehensive income statement	**-14.5**	12.2
Total	**-14.1**	0.9
Exchange differences		
Realized	**-5.1**	13.8
Unrealized	**6.5**	-14.4
Total	**1.4**	-0.6

[1)] Include ineffective portion of electricity hedge EUR -0.9 million (EUR 0.0 million).
[2)] The exchange rate differences on foreign currency loans and foreign currency derivatives have been credited or charged directly to equity and hedged against the translation differences arising from the consolidation of foreign subsidiaries, according to the so-called hedge of a net investment in foreign entities method.

Finance income and expenses do not include income or expenses from associates.

In 2011, EUR 0.3 million (EUR 0.0 million) has been recorded as income related to embedded derivatives.

NOTES TO CONSOLIDATION FINANCIAL STATEMENTS

(EUR million)

8. INVESTMENTS IN ASSOCIATES

	2011	2010
Carrying value at beginning of year	**139.5**	131.1
Additions	**0.0**	0.0
Disposals	**0.0**	-0.6
Paid in capital	**-11.7**	0.0
Share of profit (+) / loss (-)	**31.0**	9.2
Exchange differences	**0.0**	-0.2
Carrying value at end of year	**158.8**	139.5

			Group holding %	
Name	Country	City	**2011**	2010
Ekomuovi Oy	Finland	Lahti	**0.0**	22.4
FC Energia Oy	Finland	Ikaalinen	**34.0**	34.0
FC Power Oy	Finland	Ikaalinen	**34.0**	34.0
Galvatek Technology Oy	Finland	Lahti	**0.0**	39.9
Haapaveden Ympäristöpalvelut Oy	Finland	Haapavesi	**40.5**	40.5
Honkalahden Teollisuuslaituri Oy	Finland	Joutseno	**50.0**	50.0
Kemwater Phil., Corp.	Philippines	Manila	**40.0**	40.0
Sachtleben GmbH	Germany	Frankfurt am Main	**39.0**	39.0
White Pigment LLC	United States	Princeton NJ	**39.0**	39.0

THE SUMMARY OF ASSETS, LIABILITIES, REVENUES AND RESULT OF ASSOCIATES FOR THE PERIOD (TOTAL AMOUNTS)

	2011	2010
Assets	**888.7**	685.8
Liabilities	**460.1**	452.3
Revenues	**679.0**	581.5
Profit (+) / loss (-) for the period	**79.9**	23.2

RELATED-PARTY TRANSACTIONS

The following transactions were carried out with associates:

	2011	2010
Sales to associates	**56.0**	28.0
Purchases from associates	**4.7**	4.7
Receivables from associates	**4.6**	4.4
Payables to associates	**0.3**	7.2

Other related-party transactions are disclosed in Note 32.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

9. INCOME TAXES

	2011	2010
Current tax	**-29.0**	-43.7
Taxes for prior years	**-1.8**	1.5
Change in deferred taxes	**2.7**	20.2
Total	**-28.1**	-22.0

Income taxes are significantly lower than the Finnish tax rate, because deferred tax assets were recognized. Subsidiaries have still tax losses EUR 43.3 million (EUR 28.7 million), which are not recognized any deferred tax benefits.

In addition, due to the Group's extensive international operations it is involved a number of pending corporate income tax and indirect tax proceedings.

Reconciliation between tax expense and tax calculated at domestic tax rate	**2011**	2010
Profit before taxes	**168.4**	137.9
Tax at parent's tax rate (26%)	**-43.8**	-35.9
Foreign subsidiaries' different tax rate	**-5.6**	-7.8
Non-deductible expenses and tax-exempt profits	**-2.1**	-2.1
Net results of associated companies	**8.1**	2.4
Tax losses	**-4.6**	-5.3
Tax for prior years	**1.8**	1.5
Adjustment of deferred tax in respect of prior years	**14.7**	32.0
Change in the Finnish tax rate	**2.5**	-
Consolidations	**0.6**	-
Other	**0.3**	-6.8
Total taxes	**-28.1**	-22.0

The tax charge / credit relating to components of other comprehensive income is as follows:

	2011			2010		
	Before tax	**Tax charge (-)/ credit (+)**	**After tax**	Before tax	Tax charge (-)/ credit (+)	After tax
Available-for-sale financial assets	**-33.5**	**9,4**	**-24.1**	21.3	-4.4	16.9
Exchange differences on translating foreign operations	**-4.6**		**-4.6**	71.5		71.5
Net investment hedge in foreign operations	**0.4**		**0.4**	-15.2	3.9	-11.3
Cash flow hedges	**-19.7**	**5,2**	**-14.5**	16.5	-4.3	12.2
Other changes	**0.0**		**0.0**	-0.6		-0.6
Other comprehensive income	**-57.4**	**14.6**	**-42.8**	93.5	-4.8	88.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(EUR million)

10. DISCONTINUED OPERATIONS

On March 26, 2010, Kemira's Annual General Meeting decided that every four Kemira shares entitle their holders to receive one share of Tikkurila as dividend. Kemira distributed a total of 37,933,097 Tikkurila shares as dividend to its shareholders which corresponds to 86% of Tikkurila's shares and votes. Kemira held a 14% of non-controlling interest share in Tikkurila. On March 2011, Kemira sold all Tikkurila shares.

Trading of Tikkurila Oyj's shares began on NASDAQ OMX Helsinki Oy on March 26, 2010, and Tikkurila was separated from Kemira Oyj. As a result of the spin-off, Tikkurila has been treated as discontinued operations for the year ended December 31, 2010. A single line items is shown on the face of the consolidated income statement comprising the discontinued operations, and it is reported separately from the continuing operation of Kemira Group. The consolidated income statement for the prior period has been restated to conform to this style of presentation.

INCOME STATEMENT, DISCONTINUED OPERATIONS

	1.1. - 25.3.2010
Revenue	108.2
Other operating income	0.4
Operating expenses	-98.6
Depreciation, amortization and impairment	-4.7
Operating profit	5.3
Finance income and costs, net	-1.6
Share of profit or loss of associates	-
Net profit before tax	3.7
Income tax expense	-1.9
Net profit for the period, discontinued operations	1.8
Profit for Tikkurila spin-off	538.8
Tax of spin-off	-9.6
Net profit for the period, discontinued operations	531.0

NET PROFIT ATTRIBUTABLE TO, DISCONTINUED OPERATIONS

Equity holders of the parent	531.0
Non-controlling interest	0.0
Net profit for the period	531.0
Earnings per share, discontinued operations, basic and diluted, EUR	3.50

CASH FLOW

Cash flow from operating activities	-29.0
Cash flow from investing activities	-1.9
Cash flow from financing activities	24.9
Net change in cash and cash equivalents	-6.0

THE EFFECT OF DISTRIBUTING TIKKURILA SHARES AS DIVIDEND ON GROUP'S FINANCIAL POSITION

	25.3.2010
Non-current assets	230.0
Current assets	222.1
Non-current liabilities	-164.0
Current liabilities	-132.6
Assets and liabilities, net	155.5
Expenses paid in cash	-10.4
Cash and cash equivalents of discontinued operations	-19.2
The effect on cash flow	-29.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(EUR million)

11. EARNINGS PER SHARE

	2011	2010
Earnings per share, basic		
Profit attributable to equity holders of the parent, continuing operations	**135.6**	110.9
Profit attributable to equity holders of the parent, discontinued operations	**-**	531.0
Total	**135.6**	641.9
Weighted average number of shares [1)]	**151,994,165**	151,697,441
Earnings per share, continuing operations, EUR	**0.89**	0.73
Earnings per share, discontinued operations, EUR	**-**	3.50
Basic earnings per share, EUR	**0.89**	4.23
Earnings per share, diluted		
Profit attributable to equity holders of the parent, continuing operations	**135.6**	110.9
Profit attributable to equity holders of the parent, discontinued operations	**-**	531.0
Total	**135.6**	641.9
Weighted average number of shares [1)]	**151,994,165**	151,697,441
Adjustments for:		
Treasury shares possibly subject to emission in share-based arrangement	**158,156**	319,192
Weighted average number of shares for diluted earnings per share	**152,152,321**	152,016,633
Earnings per share, continuing operations, EUR	**0.89**	0.73
Earnings per share, discontinued operations, EUR	**-**	3.50
Diluted earnings per share, EUR	**0.89**	4.23

[1)] Weighted average number of shares outstanding, excluding the number of shares bought back

(EUR million)

12. GOODWILL

	2011	2010
Cost at beginning of year	**620.3**	670.4
Acquisition of subsidiaries	**0.0**	7.7
Disposal of subsidiaries	**-0.8**	-71.7
Exchange differences	**-1.1**	13.9
Acquisition cost at end of year	**618.4**	620.3
Impairments at beginning of year	**-12.4**	-12.4
Impairments at end of year	**-12.4**	-12.4
Net book value at beginning of year	**607.9**	658.0
Net book value at end of year	**606.0**	607.9

In 2011, goodwill decreased by EUR 0.8 million because Kemira sold its Canadian hydrogen peroxide plant in Maitland and Oy Galvatek Ab. In 2010, goodwill decreased by EUR 68.3 million in relation to the Tikkurila Oyj spin-off. It was separated from Kemira on March 25, 2010.

In 2010, the additions of goodwill of EUR 7.7 million included the acquisitions of Water Elements LLC in the USA and Albemarle UK Limited in the United Kingdom. The goodwill of EUR 4.0 million arose from the acquisition of Water Elements in the Municipal & Industrial segment and EUR 3.7 million was included in Oil & Mining segment from the acquisition of Albemarle.

GOODWILL IMPAIRMENT TESTS

The Group performs its annually goodwill impairment test on September 30, or whenever changes in circumstances indicate that the carrying amount may not be recoverable. The estimated value in use by all segments exceeded their carrying values. As a result, no goodwill impairment was recognized in 2011 (2010: no impairment).

Goodwill has been recognized at the level of 10 individual cash-generating units (2010: 10 CGU). The customer segment has been defined as a cash-generating unit. The customer segment represents at the lowest level within the Group at which the goodwill is monitored for internal management purposes. The level of customer segment is one notch down from reporting segment. The Group's four reporting segments are Paper, Municipal & Industrial, Oil & Mining and Other segments. A summary of the carrying amounts and goodwill to the Group's reporting segments are presented in the following tables.

	December 31, 2011		December 31, 2010	
	Carrying amount	**of which goodwill**	Carrying amount	of which goodwill
Paper	**638**	**310**	661	310
Municipal & Industrial	**317**	**133**	324	135
Oil & Mining	**109**	**54**	110	54
Other	**162**	**109**	164	109
Total	**1,226**	**606**	1,259	608

(EUR million)

THE KEY ASSUMPTIONS

LONG-TERM GROWTH RATE

The long-term growth rate used is purely for the impairment testing of goodwill under IAS 36 (Impairment of Assets). The assumptions of long-term growth rate were used based on the Group's financial forecasts prepared and approved by the management covering horizon of five year. Forecasts for cash flow growth reflect the management's perception of developments in sales and cost items during the forecast period. The growth rate used to extrapolate cash flows subsequent to the five-year forecast period was assumed to be zero.

DISCOUNT RATE

The discount rates applied were based on the Group's adjusted weighted average cost of capital ("WACC"). The risk-adjusted WACC rate was defined for each cash-generating unit separately. The discount rates used in performing the impairment tests of the Group's reportable segments are presented in the table below.

%	**2011**	2010
Paper	**8.7**	9.2
Municipal & Industrial	**8.0**	8.2
Oil & Mining	**8.9**	9.2
Other	**8.9**	9.1

SENSITIVITY ANALYSIS

after the forecasting period. A general increase in interest rates has also been taken into consideration as well as a decrease in profitability. A decrease of 10% in generated cash flow or an increase of 1% in discount rate would not result in any impairment losses to be recorded on the customer segment level. If the discount rate would increase by 2%, the impairment losses are required to be recorded only to one customer segment. This impairment loss would constitute approximately 8% of the goodwill recorded in the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

13. OTHER INTANGIBLE ASSETS

2011	Internal development costs	Other intangible assets	Prepayments	**Total**
Cost at beginning of year	47.2	144.8	16.3	**208.3**
Acquisition of subsidiaries				
Additions		4.4	3.8	**8.2**
Disposal of subsidiaries		-0.9		**-0.9**
Decreases		-4.6		**-4.6**
Other changes		0.4	-0.1	**0.3**
Reclassifications		13.0	-14.3	**-1.3**
Exchange rate differences			0.4	**0.4**
Acquisition cost at end of year	47.2	157.1	6.1	**210.4**
Accumulated amortization at beginning of year	-26.3	-107.0		**-133.3**
Accumulated amortization relating to decreases and transfers	-0.1	5.3		**5.2**
Amortization during the financial year	-3.8	-11.1		**-14.9**
Impairments		-0.3		**-0.3**
Exchange rate differences		0.4		**0.4**
Accumulated amortization at end of year	-30.2	-112.7		**-142.9**
Net book value at end of year	**17.0**	**44.4**	**6.1**	**67.5**

2010	Internal development costs	Other intangible assets	Prepayments	Total
Cost at beginning of year	30.6	211.3	7.2	249.1
Acquisition of subsidiaries		3.2		3.2
Additions		4.7	10.7	15.4
Disposal of subsidiaries		-60.5	-1.1	-61.6
Decreases		-1.7		-1.7
Other changes		1.1	-0.6	0.5
Reclassifications	16.6	-16.6		
Exchange rate differences		3.3	0.1	3.4
Acquisition cost at end of year	47.2	144.8	16.3	208.3
Accumulated amortization at beginning of year	-5.9	-141.0		-146.9
Accumulated amortization relating to decreases and transfers	-16.6	46.4		29.8
Amortization during the financial year				
Continuing operations	-3.8	-9.0		-12.8
Discontinued operations		-1.2		-1.2
Impairments		-0.1		-0.1
Exchange rate differences		-2.1		-2.1
Accumulated amortization at end of year	-26.3	-107.0		-133.3
Net book value at end of year	20.9	37.8	16.3	75.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

14. PROPERTY, PLANT AND EQUIPMENT

2011	Land	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Prepayments and non-current assets under construction	**Total**
Cost at beginning of year	52.1	387.9	1,131.0	33.9	41.0	**1,645.9**
Acquisition of subsidiaries						
Increases		9.3	51.0	2.3	31.6	**94.2**
Disposal of subsidiaries			-0.1			**-0.1**
Decreases	-0.4	-7.7	-62.6	-4.5		**-75.2**
Other changes		1.5	-2.2	-0.3	0.1	**-0.9**
Reclassifications	0.7	1.1	12.8		-14.6	**0.0**
Exchange rate differences	0.4	1.6	6.7			**8.7**
Acquisition cost at end of year	52.8	393.7	1,136.6	31.4	58.1	**1,672.6**
Accumulated depreciation at beginning of year	-8.3	-201.0	-754.8	-20.6		**-984.7**
Accumulated depreciation relating to decreases and transfers	0.2	3.5	49.9	4.3		**57.9**
Depreciation during the financial year		-15.5	-66.9	-1.8		**-84.2**
Impairments		-1.3	-0.6			**-1.9**
Other changes		-0.4		0.4		**0.0**
Exchange rate differences		-0.7	-3.3	0.3		**-3.7**
Accumulated depreciation at end of year	-8.1	-215.4	-775.7	-17.4		**-1,016.6**
Net book value at end of year	**44.7**	**178.3**	**360.9**	**14.0**	**58.1**	**656.0**

2010	Land	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Prepayments and non-current assets under construction	Total
Cost at beginning of year	49.5	463.3	1,214.9	37.7	43.9	1,809.3
Acquisition of subsidiaries	4.9	3.5	8.5	1.2		18.1
Increases	1.7	8.2	38.2	2.8	12.3	63.2
Disposal of subsidiaries	-7.9	-120.6	-179.9	-8.3	-4.8	-321.5
Decreases		-2.0	-15.8	-0.2	-0.2	-18.2
Other changes	-0.3	4.9	-7.6		-0.2	-3.2
Reclassifications	0.6	5.3	9.1	-2.1	-12.9	0.0
Exchange rate differences	3.6	25.3	63.6	2.8	2.9	98.2
Acquisition cost at end of year	52.1	387.9	1,131.0	33.9	41.0	1,645.9
Accumulated depreciation at beginning of year	-8.3	-231.5	-786.8	-21.1		-1,047.7
Accumulated depreciation relating to decreases and transfers		69.8	143.8	4.3		217.9
Depreciation during the financial year						
Continuing operations		-15.6	-66.7	-1.6		-83.9
Discontinued operations		-1.1	-2.1	-0.3		-3.5
Impairments		-3.2	-9.6			-12.8
Other changes		-5.7	6.7	-0.3		0.7
Exchange rate differences		-13.7	-40.1	-1.6		-55.4
Accumulated depreciation at end of year	-8.3	-201.0	-754.8	-20.6		-984.7
Net book value at end of year	43.8	186.9	376.2	13.3	41.0	661.2

Finance lease assets

Property, plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

	2011	2010
Cost - capitalized finance leases	**3.8**	3.9
Accumulated depreciation	**-1.5**	-1.4
Net book amount	**2.3**	2.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011	2010
Net book value at beginning of year	**284.7**	166.2
Additions	**102.8**	97.9
Disposals	**-97.6**	-0.9
Change in fair value	**-33.4**	21.3
Exchange rate differences	**0.0**	0.2
Net book value at end of year	**256.5**	284.7

In 2010, the available-for-sale financial assets included the Tikkurila Oyj shares listed on NASDAQ OMX Helsinki Oy. In March 2011, Kemira Oyj sold 6,175,155 of Tikkurila shares, corresponding to 14.0% of the total number of shares and votes in Tikkurila. The sale price was EUR 15.80 per share and the total sale price was EUR 97.6 million.

The available-for-sale financial assets include the shares in Pohjolan Voima Group; their valuation principles are described in the Group's accounting policies. The discount rate used to calculate the net present value at the year-end is an annually defined average weighted cost of capital. The discount rate in 2011 was 6.0% (6.4%).

Kemira Oyj and together with its Pension Fund Neliapila own 3.9% of Pohjolan Voima Oy and 1.0% of Teollisuuden Voima Oyj. In December 2011, Kemira Oyj bought 2.5% of Pohjolan Voima Oy shares from Pension Fund Neliapila. The following table summarizes the shares of Pohjolan Voima Group owned by Kemira Oyj.

				2011	2010
The shares of Pohjolan Voima Group	Class of shares	Holding %	Class of assets	**Fair value**	Fair value
Pohjolan Voima Oy	A	5.0	water power	**28.3**	0.0
Pohjolan Voima Oy	B	3.0	nuclear power	**57.7**	0.0
Pohjolan Voima Oy	B2	6.8	nuclear power	**81.2**	81.2
Teollisuuden Voima Oyj	A	1.9	nuclear power	**64.1**	76.2
Other Pohjolan Voima Oy and Teollisuuden Voima Oyj	C, C2, E1, G5, G6, H, I	several	several	**23.8**	24.0
Total				**255.1**	181.4

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

(EUR million)

16. CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORIES

2011	Note	Financial instruments under hedge accounting	Financial assets at fair value through profit and loss	Loans and receivables	Available-for-sale investments	Other liabilities	**Total carrying amounts by balance sheet item**	**Total fair value**
Non-current financial assets								
Investments	15							
Available-for-sale financial assets					256.5		**256.5**	**256.5**
Current financial assets								
Receivables	18							
Interest-bearing receivables				0.5			**0.5**	**0.5**
Non-interest bearing receivables								
Trade receivables				300.0			**300.0**	**300.0**
Other receivables		0.3	5.0				**5.3**	**5.3**
Cash and cash equivalents	29		61.7	124.1			**185.8**	**185.8**
Total		0.3	66.7	424.6	256.5		**748.1**	**748.1**
Non-current financial liabilities								
Interest-bearing non-current liabilities	20							
Loans from financial institutions						458.4	**458.4**	**468.2**
Other non-current liabilities						6.0	**6.0**	**6.0**
Current financial liabilities								
Interest-bearing current liabilities	20							
Loans from financial institutions						49.5	**49.5**	**50.3**
Current portion of other non-current liabilities						17.2	**17.2**	**17.2**
Other interest-bearing current liabilities						170.2	**170.2**	**170.2**
Non-interest bearing current liabilities	25							
Trade payables						191.5	**191.5**	**191.5**
Other liabilities		9.5	7.4				**16.9**	**16.9**
Total		9.5	7.4			892.8	**909.7**	**920.3**

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

2010	Note	Financial instruments under hedge accounting	Financial assets of fair value through profit and loss	Loans and receivables	Available-for-sale investments	Other liabilities	Total carrying amounts by balance sheet item	Total fair value
Non-current financial assets								
Investments	15							
Available-for-sale financial assets					284.7		284.7	284.7
Current financial assets								
Receivables	18							
Interest-bearing receivables				0.4			0.4	0.4
Non-interest bearing receivables								
Trade receivables				295.0			295.0	295.0
Other receivables		15.0	11.0				26.0	26.0
Cash and cash equivalents	29		57.5	34.3			91.8	91.8
Total		15.0	68.5	329.7	284.7		697.9	697.9
Non-current financial liabilities								
Interest-bearing non-current liabilities	20							
Loans from financial institutions						484.7	484.7	494.4
Pension loans						9.8	9.8	10.0
Other non-current liabilities						4.6	4.6	4.6
Current financial liabilities								
Interest-bearing current liabilities	20							
Loans from financial institutions						16.0	16.0	16.3
Current portion of other non-current liabilities						95.1	95.1	95.1
Other interest-bearing current liabilities						17.2	17.2	17.2
Non-interest bearing current liabilities	25							
Trade payables						143.4	143.4	143.4
Other liabilities		4.7	4.1				8.8	8.8
Total		4.7	4.1			770.8	779.6	789.8

The available-for-sale financial assets included shares of the Group of Pohjolan Voima. In addition the available-for-sale financial assets in 2010 included the shares of Tikkurila Oyj listed on NASDAQ OMX Helsinki Oy, sold in March 2011.

The carrying amount represents the maximum credit risk.

Other receivables and liabilities are financial assets at fair value through profit and loss or financial instruments under hedge accounting.

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

FAIR VALUE HIERARCHY	2011 Level 1	Level 2	Level 3	Total net	2010 Level 1	Level 2	Level 3	Total net
Available-for-sale financial assets			**256.5**	**256.5**	102.0		182.7	284.7
Currency investments		**-1.7**		**-1.7**		8.1		8.1
Interest rate instruments, hedge accounting		**-4.9**		**-4.9**		-4.7		-4.7
Interest rate instruments, no hedge accounting		**-0.7**		**-0.7**		-1.3		-1.3
Other instruments		**-4.3**		**-4.3**		15.0		15.0
Money market instruments	**6.8**	**54.9**		**61.7**	1.0	57.5		58.5
Total	**6.8**	**43.3**	**256.5**	**306.6**	103.0	74.6	182.7	360.3

Level 1: Exchange traded securities
Level 2: Fair value determined by observable parameters
Level 3: Fair value determined by non-observable parameters

LEVEL 3 SPECIFICATION	Level 3 Total net 2011	Level 3 Total net 2010
Instrument		
Carrying value 1.1.	**182.7**	166.2
Effect on the statement of comprehensive income	**-29.0**	16.9
Purchased	**102.8**	0.4
Sold	**-**	-0.8
Carrying value 31.12.	**256.5**	182.7

(EUR million)

17. INVENTORIES

	2011	2010
Materials and supplies	**78.0**	76.0
Finished goods	**144.7**	122.2
Prepayments	**5.5**	4.6
Total	**228.2**	202.8

In the financial year, EUR 1.6 million (EUR 2.8 million) of inventory value was recognized as expense in order to decrease the book values of inventories to correspond with their net realizable value.

18. RECEIVABLES

	2011	2010
Interest-bearing receivables		
Loan receivables	**0.5**	0.1
Finance lease receivables	**0.0**	0.1
Other receivables	**0.0**	0.2
Total interest-bearing receivables	**0.5**	0.4
Trade and other receivables		
Trade receivables	**300.0**	295.0
Prepayments	**9.0**	10.8
Accrued income	**33.1**	58.3
Other receivables	**49.1**	15.9
Total trade and other receivables	**391.2**	380.0

Items that are due in a time period longer than one year include trade receivables of EUR 2.4 million (EUR 6.0 million), prepayments of EUR 0.1 million (EUR 0.3 million), prepaid expenses and accrued income of EUR 2.8 million (EUR 0.6 million) and other non-interest bearing receivables of EUR 0.0 million (EUR 0.1 million). In addition, loan receivables include items that are due over one year EUR 0.1 million (EUR 0.1 million) and finance lease receivables EUR 0.0 million (EUR 0.1 million).

(EUR million)

19. CAPITAL AND RESERVES

CHANGES IN NUMBER OF SHARES AND SHARE CAPITAL

	Number of shares outstanding (1000)	Share capital
January 1, 2010	151,488	221.8
Treasury shares issued to key personnel and strategic management board members	245	
Treasury shares issued to the board of directors	12	
Acquisition of treasury shares	-1	
Shares from the share-based arrangement given back	-9	
December 31, 2010	151,735	221.8
January 1, 2011	151,735	221.8
Treasury shares issued to key personnel and strategic management board members	320	
Treasury shares issued to the board of directors	9	
Acquisition of treasury shares	0	
Shares from the share-based arrangement given back	-34	
December 31, 2011	**152,030**	**221.8**

Kemira Oyj has one class of shares. Each share entitles its holder to one vote at General Meeting. On December 31, 2011, the share capital was EUR 221.8 million and the total number of shares issued was 155,342,557 including 3,312,660 treasury shares. Under the Articles of Association of Kemira Oyj, the company does not have a minimum or maximum share capital or a par value of a share. All issued shares have been fully paid.

SHARE PREMIUM

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.

FAIR VALUE AND OTHER RESERVES

According to IFRS, the Fair Value reserve is a reserve accumulated based on available-for-sale financial assets (shares) measured at fair value and hedge accounting. Other reserves originate from local requirements of subsidiaries.

UNRESTRICTED EQUITY RESERVE

The unrestricted equity reserve includes other equity type investments and the subscription price of shares to the extent that they will not, based on the specific decision, be recognized in share capital. On November 23, 2009, the Board of Directors decided on a rights offering based on an authorization given by the Extraordinary General Meeting on the same day. As a result of the offering, Kemira's total number of shares increased to 155,342,557 shares. The funds generated from the rights offering less the costs related to the offering amounting to EUR 196.3 million was included in the unrestricted equity reserve.

TREASURY SHARES

Kemira had in its possession 3,312,660 of its treasury shares on December 31, 2011. The average share price of treasury shares was EUR 6.73, and they represented 2.1% of the share capital and the aggregate number of votes conferred by all shares. The aggregate par value of the treasury shares is EUR 4.7 million.

EXCHANGE DIFFERENCES

The foreign currency translation differences arise from the translation of foreign subsidiaries' financial statements. Also, the gains and losses arising from net investment hedges in foreign subsidiaries are included in foreign currency translation differences, provided that hedge accounting requirements are fulfilled.

(EUR million)

OTHER COMPREHENSIVE INCOME IN THE STATEMENT OF CHANGES IN EQUITY

	Attributable to holders of the parent									
2011	Share capital	Share premium	Fair value and other reserves	Unrestricted equity reserve	Exchange differences	Treasury shares	Retained earnings	**Total**	Non-controlling interests	**Total equity**
Net profit for the period							135.7	**135.7**	4.6	**140.3**
Other comprehensive income										
Available-for-sale financial assets			-24.1					**-24.1**		**-24.1**
Exchange differences on translating foreign operations					-3.7			**-3.7**	-0.9	**-4.6**
Net investment hedge in foreign operations					0.4			**0.4**		**0.4**
Cash flow hedges			-14.5					**-14.5**		**-14.5**
Other changes										
Other comprehensive income for the period, net of tax			**-38.6**		**-3.3**			**-41.9**	**-0.9**	**-42.8**
Total comprehensive income for the period			**-38.6**		**-3.3**		135.7	**93.8**	**3.7**	**97.5**
2010										
Net profit for the period							641.9	641.9	5.0	646.9
Other comprehensive income										
Available-for-sale financial assets			16.9					16.9		16.9
Exchange differences on translating foreign operations										
Continuing operations					60.8			60.8	1.2	62.0
Discontinued operations					9.1			9.1		9.1
Net investment hedge in foreign operations					-11.3			-11.3		-11.3
Cash flow hedges			12.2					12.2		12.2
Other changes							-0.2	-0.2		-0.2
Other comprehensive income for the period, net of tax			29.1		58.6		-0.2	87.5	1.2	88.7
Total comprehensive income for the period			29.1		58.6		641.7	729.4	6.2	735.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

20. INTEREST-BEARING LIABILITIES

	2011	2010
Interest-bearing current liabilities		
Loans from financial institutions	**49.5**	105.1
Current portion of other non-current loans	**17.2**	16.8
Finance lease liabilities	**1.2**	1.8
Other interest-bearing current liabilities	**169.2**	4.6
Total interest-bearing current liabilities	**237.1**	128.3
Interest-bearing non-current liabilities		
Loans from financial institutions	**458.5**	484.7
Loans from pension institutions	**-**	9.8
Other non-current liabilities from others	**6.0**	4.6
Total	**464.5**	499.1
Non-current interest-bearing liabilities maturing in		
2013 (2012)	**113.5**	85.6
2014 (2013)	**72.2**	59.7
2015 (2014)	**86.6**	74.2
2016 (2015)	**33.5**	83.4
2017 (2016) or later	**158.7**	196.2
Total	**464.5**	499.1
Interest-bearing liabilities maturing in five years or over a longer period of time		
Loans from financial institutions	**158.7**	196.2
Total	**158.7**	196.2

The foreign currency breakdown of non-current loans is presented in Management of financial risks, Note 29.

The Group's liabilities include neither debentures nor convertible of other bonds.

	2011	2010
Net liabilities		
Interest-bearing non-current liabilities	**464.5**	499.1
Interest-bearing current liabilities	**237.1**	128.3
Cash and cash equivalents	**-185.8**	-91.8
Total	**515.8**	535.6

21. FINANCE LEASE LIABILITIES

	2011	2010
Maturity of minimum lease payments		
No later than 1 year	**1.0**	0.5
1 - 5 years	**0.2**	1.2
Later than 5 years	**-**	0.0
Total minimum lease payments	**1.2**	1.7
Present value of finance lease liabilities		
Total minimum lease payments	**1.2**	1.7
Future finance charges on finance leases	**0.0**	0.1
Present value of finance lease liabilities	**1.2**	1.8
Maturity of the present value of finance lease liabilities		
No later than 1 year	**1.0**	0.6
1 - 5 years	**0.2**	1.2
Later than 5 years	**-**	0.0
Total present value of finance lease liabilities	**1.2**	1.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

22. DEFERRED TAX LIABILITIES AND ASSETS

	January 1, 2011	Recognized in the income statement	Recognized in other comprehensive income	Recognized in equity	Acquired/ disposed subsidiaries	Exchange rate differences	**December 31, 2011**
Deferred tax liabilities							
Depreciation difference and untaxed reserves	52.4	5.7				0.4	**58.5**
Available-for-sale financial assets	39.6		-9.4			-0.6	**29.6**
Pensions	9.8	0.5					**10.3**
Fair value of acquired subsidiaries [1)]	4.6	-0.2					**4.4**
Other	20.7	17.6	-5.2	0.8			**33.9**
Total	127.1	23.6	-14.6	0.8		-0.2	**136.7**
Deferred tax assets deducted [2)]	-27.6						**-50.2**
Total deferred tax liabilities in the balance sheet	99.5						**86.5**
Deferred tax assets							
Provisions	6.3	-0.8				0.1	**5.6**
Tax losses	24.8	23.5				-0.2	**48.1**
Pensions	2.3	0.3					**2.6**
Fair value of financial liabilities	35.4	-35.4					
Other	2.5	38.7					**41.2**
Total	71.3	26.3				-0.1	**97.5**
Deferred tax liabilities deducted [2)]	-27.6						**-50.2**
Total deferred tax assets in the balance sheet	43.7						**47.3**

	January 1, 2010	Recognized in the income statement	Recognized in other comprehensive income	Recognized in equity	Acquired/ disposed subsidiaries	Exchange rate differences	December 31, 2010
Deferred tax liabilities							
Depreciation difference and untaxed reserves	58.5	-5.2			-0.9		52.4
Available-for-sale financial assets	35.2		4.4				39.6
Pensions	8.2	1.6					9.8
Fair value of acquired subsidiaries [1)]	11.7	-0.5			-6.6		4.6
Other	5.5	10.1	4.3	0.8			20.7
Total	119.1	6.0	8.7	0.8	-7.5		127.1
Deferred tax assets deducted [2)]	-29.0						-27.6
Total deferred tax liabilities in the balance sheet	90.1						99.5
Deferred tax assets							
Inventories internal margins	1.8	-1.4			-0.4		0.0
Provisions	8.8	-2.0			-0.5		6.3
Tax losses	32.0	-5.6			-1.6		24.8
Pensions	2.2	0.1					2.3
Fair value of financial liabilities		35.4					35.4
Other	3.0	-0.2			-0.3		2.5
Total	47.8	26.3			-2.8		71.3
Deferred tax liabilities deducted [2)]	-29.0						-27.6
Total deferred tax assets in the balance sheet	18.8						43.7

[1)] The increase in deferred taxes relating to the fair value measurement of acquired subsidiaries was recognized under goodwill.

[2)] Deferred income tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

The Finnish corporate tax rate change from 26% to 24.5% was enacted on December 13, 2011 and that will be effective from January 1, 2012. The relevant deferred tax balances have been remeasured at the new 24.5% tax rate in the Consolidated Financial Statement for financial year ended on December 31, 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(EUR million)

23. PENSION OBLIGATIONS

Group has various pension plans in accordance with the local conditions and practices of the countries in which it operates. Under a defined benefit plan, the pension benefits are determined by salary, retirement age, disability, mortality or termination of employment. The pension liability of Kemira's Pension Fund treated as defined benefit plan was transferred to Varma Mutual Pension Insurance Company on December 31, 2009. The TyEL plans managed by insurance companies are treated as defined contribution plans. The following table shows the effect of both the defined benefit and the defined contribution plans on the Group's income statement and balance sheet. Pension liabilities, plan assets and actuarial gains and losses of the businesses acquired and divested have changed obligations and assets.

The following table presents the effect of both the defined benefit and the defined contribution plans on the Group´s income statement and balance sheet. Pension liabilities, plan assets and actuarial gains and losses of the business acquired and divested have changed the obligations and the assets.

	2011	2010
The amounts recognized in the balance sheet		
Liabilities for defined contribution plans	**0.4**	0.4
Liabilities for defined benefit plans	**52.0**	54.8
Liabilities in the balance sheet	**52.4**	55.2
Assets for defined benefit plans	**-44.3**	-39.5
Net recognized assets (-) / liabilities (+) in the balance sheet	**8.1**	15.7
Defined benefit plans		
The amounts recognized in the balance sheet		
Liabilities for defined benefit plans	**52.0**	54.8
Assets for defined benefit plans	**-44.3**	-39.5
Net recognized assets (-) / liabilities (+) recognized in the balance sheet	**7.7**	15.3
The amounts recognized in the balance sheet - defined benefit plans		
Present value of funded obligations	**311.4**	310.5
Present value of unfunded obligations	**54.7**	47.7
Defined benefit obligations	**366.1**	358.2
Fair value of plan assets	**-355.6**	-382.9
Surplus (-) / Deficit (+)	**10.5**	-24.7
Unrecognized past service cost	**-0.4**	-0.5
Unrecognized actuarial losses and gains	**-7.3**	36.2
Effect of the limit in IAS 19.58	**4.9**	4.3
Net recognized assets (-) / liabilities (+) in the balance sheet	**7.7**	15.3
The amounts recognized in the income statement		
Defined benefit plans	**0.0**	5.9
The movement in the defined benefit obligation over the year		
Defined benefit obligation at January 1	**358.1**	367.2
Current service cost	**4.7**	4.5
Interest cost	**16.6**	17.2
Actuarial losses (+) / gains (-)	**4.3**	5.9
Exchange differences	**0.9**	6.8
Effect of business combinations and divestments	**-1.1**	-22.3
Benefits paid	**-18.3**	-20.4
Curtailments and settlements	**0.0**	-0.8
Past service cost	**0.9**	0.0
Defined benefit obligation at December 31	**366.1**	358.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

	2011	2010
The movement in the fair value of plan assets for the year		
Fair value at 1 January	**382.9**	363.6
Expected return on plan assets	**18.8**	18.1
Employer contributions	**5.7**	8.9
Actuarial losses (+) / gains (-)	**-32.7**	13.3
Exchange differences	**0.2**	1.6
Effect of business combinations and divestments	**-0.1**	-1.3
Benefits paid	**-18.3**	-20.4
Settlements	**-0.9**	-0.9
Fair value at December 31	**355.6**	382.9
The amounts recognized in the income statement - defined benefit plans		
Current service cost	**4.7**	4.6
Interest cost	**16.6**	17.2
Expected return on plan assets	**-18.8**	-18.1
Past service cost	**0.9**	0.0
Actuarial losses (+) / gains (-)	**-3.4**	1.9
Effect of the limit in IAS 19.58	**-0.6**	0.1
Curtailments	**0.6**	0.2
Total included in employee benefits [1)]	**0.0**	5.9

[1)] The income statement for the year ended December 31, 2010 includes the effect on Tikkurila of EUR 1.4 million.

The actual return on plan assets was EUR -13.9 million (EUR 31.4 million).

The principal actuarial assumptions used, %

	2011	2010
Discount rate	**3.3 - 5.7**	4.0 - 5.6
Expected return on plan assets	**4.1 - 7.5**	2.8 - 7.5
Inflation rate	**2.0 - 3.0**	2.0 - 3.7
Future salary increases	**2.0 -4.0**	2.0 - 4.3
Future pension increases	**0.7 - 3.8**	1.3 - 3.0

Plan assets are comprised as follows:		
Shares	**164.0**	207.0
Interest rate investments	**54.9**	39.1
Assets in the insurance companies [1)]	**121.6**	121.5
Kemira Oyj´s shares	**1.1**	1.3
Property occupied by the Group	**14.0**	14.0
Total assets	**355.6**	382.9

[1)] Funds managed by the insurance companies, under the defined benefit pension plan, form part of the investment assets of the insurance companies, which bear the associated investment risk. For this reason, more detailed information on the individual plans´ asset allocation is not available.

The total expected long-term rate of return on plan assets is 5.0%, which is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The expected return is based exclusively on historical returns, without adjustments.

Expected contributions to defined benefit plans for the year ended December 31, 2012 are EUR 6.7 million.

	2011	2010	2009	2008	2007
Present value of defined benefit obligation	**366.1**	358.3	367.2	412.2	573.4
Fair value of plan assets	**355.6**	382.9	363.6	427.8	622.9
Surplus (-) / Deficit (+)	**10.5**	-24.6	3.6	-15.6	-49.5
Experience adjustments on plan liabilities	**4.2**	-0.3	0.1	-3.4	-3.4
Experience adjustments on plan assets	**-31.6**	36.2	31.6	-88.2	45.9

(EUR million)

24. PROVISIONS

	Personnel related provisions	Restructuring provisions	Environmental and damage provisions	Other provisions	**2011**
Non-current provisions					
At beginning of year	0.6	3.4	16.5	34.2	**54.7**
Exchange rate differences					**0.0**
Increase in provisions	0.1		0.3		**0.4**
Provisions used during the year	-0.3	-0.8	-3.3		**-4.4**
Provisions reversed during the year			-0.7		**-0.7**
Reclassification	0.7	-0.3		-0.1	**0.3**
At end of year	**1.1**	**2.3**	**12.8**	**34.1**	**50.3**
Current provisions					
At beginning of year	3.1	1.4	3.1	2.2	**9.8**
Exchange rate differences				-0.2	**-0.2**
Increase in provisions	0.4	0.8	0.6		**1.8**
Provisions used during the year	-2.4	-0.1	-1.1		**-3.6**
Provisions reversed during the year	-0.3	-0.5	-0.7		**-1.5**
Reclassification	-0.1	0.1			**0.0**
At end of year	**0.7**	**1.7**	**1.9**	**2.0**	**6.3**

Analysis of total provisions	**2011**	2010
Non-current provisions	**50.3**	54.7
Current provisions	**6.3**	9.8
Total	**56.6**	64.5

Other provisions relate mainly to the establishment of an associate in 2008. There is more information about environmental provisions in note 31, Environmental risks and liabilities.

25. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2011	2010
Trade payables and other current liabilities		
Prepayments received	**2.0**	6.8
Trade payables	**191.5**	143.4
Accrued expenses	**149.7**	145.5
Other non-interest bearing current liabilities	**40.6**	20.9
Total trade payables and other current liabilities	**383.8**	316.6
Accrued expenses		
Employee benefits	**33.0**	43.5
Items related to revenues and purchases	**67.3**	55.0
Interest	**9.3**	10.0
Exchange rate differences	**6.7**	2.9
Other	**33.4**	34.1
Total accrued expenses	**149.7**	145.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(EUR million)

26. SUPPLEMENTARY CASH FLOW INFORMATION

	2011	2010
Acquisition of subsidiaries		
Cost of acquisitions	**-**	31.6
Cash and cash equivalents at acquisition date	**-**	-
Cash flow on acquisition net of cash acquired	**0.0**	31.6
Acquired assets and liabilities		
Net working capital	**-**	3.0
Property, plant and equipment	**-**	21.3
Interest-bearing receivables, cash and cash equivalents deducted	**-**	0.1
Interest-bearing liabilities	**-**	-0.3
Non-interest bearing liabilities	**-**	-
Non-controlling interest	**-**	-
Goodwill on acquisition	**-**	7.5
Total assets and liabilities of acquired subsidiaries	**0.0**	31.6
Disposal of subsidiaries		
Proceeds from the disposals	**1.5**	8.1
Cash and cash equivalent in disposed companies	**0.2**	-28.1
Total cash flow on disposals of subsidiaries	**1.7**	-20.0
Assets and liabilities disposed of		
Net working capital	**1.9**	119.7
Property, plant and equipment	**0.4**	228.3
Available-for-sale investment	**0.1**	1.8
Interest-bearing receivables, excluding cash and cash equivalents	**-1.0**	3.5
Other non-interest bearing receivables	**0.0**	5.6
Interest-bearing liabilities	**-1.0**	-50.6
Non-interest bearing liabilities	**-0.3**	-36.1
Total assets and liabilities of disposed subsidiaries	**0.1**	272.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

27. BUSINESS COMBINATIONS

2010: Acquisition of Water Elements LLC in USA

On September 6, 2010 Kemira announced that it had acquired Water Elements, LCC ('WE'), through its North American subsidiary Kemira Water Solutions Inc.. WE started its operations in 2007 and has one production plant in Baltimore, Maryland, USA.

WE is a manufacturer of inorganic coagulants in the USA. Kemira acquired 100% of the share capital of WE for EUR 25.9 million and obtained control of WE. The goodwill of EUR 4.0 million arose from the acquisition in representing the acquired coagulant market share in Municipal & Industrial business.

The following table summarizes the consideration paid for WE, and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

Consideration	
Cash	25.9
Total consideration	25.9
Acquisition-related costs	0.4
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	0.1
Property, plant and equipment	17.7
Intangible assets	2.8
Inventories	1.6
Trade and other receivables	1.1
Trade and other payables	1.4
Total identifiable net assets	21.9
Goodwill	4.0
	25.9

Acquisition-related costs were included in other expenses in the consolidated income statement for the year ended 31 December, 2010.

The fair value of trade and other receivables is EUR 1.1. million and include trade receivables with a fair value of EUR 0.9 million. The gross contractual amount for the trade receivables is EUR 0.9 million, of which all is expected to be collected.

Revenue included in the consolidated income statement since September 2, 2010 contributed by WE was EUR 2.8 million. WE also contributed operating profit of EUR 0.3 million over the same period. Had WE been consolidated from January 1, 2010, the consolidated income statement would show pro forma revenue of EUR 8.4 million and pro forma operating profit of EUR 1.0 million.

The pro forma amounts are provided for comparative purposes only and do not necessarily reflect the actual result that would have occurred, nor is it necessarily indicative of future results of operations of the combined companies.

2010: Acquisition of Albemarle UK Limited

On August 2, 2010, Kemira announced that it has completed the negotiations with Albemarle on July 30, 2010 and closed the deal to acquire the legal entity located in Teesport., Middlesbrough, United Kingdom. The site employs approximately 30 persons.

Transactions with non-controlling interests

2011: Acquisition of additional interest in the subsidiary of Kemira Tiancheng Chemicals Co., Ltd

In July, Kemira bought the remaining shares (49%) of Kemira Tiancheng Chemicals Co., Ltd in Yanzhou, China. Previously, Kemira held 51% share of the company and after this transaction owns the entire company.

(EUR million)

28. DERIVATIVE INSTRUMENTS

Nominal values	2011			2010		
	< 1 year	**> 1 year**	**Total**	< 1 year	> 1 year	Total
Currency instruments						
Forward contracts	**554.6**	**-**	**554.6**	607.7	-	607.7
Interest rate instruments						
Interest rate swaps	**80.0**	**133.5**	**213.5**	246.9	58.4	305.3
of which cash flow hedges	**60.0**	**133.5**	**193.5**	236.9	38.4	275.3
Interest rate options						
Bought	**-**	**-**	**-**	-	10.0	10.0
Sold	**-**	**-**	**-**	-	-	-
Bond futures	**-**	**10.0**	**10.0**	-	10.0	10.0
of which open	**-**	**10.0**	**10.0**	-	10.0	10.0
Other instruments						
Electricity forward contracts, bought (GWh)	**509.5**	**582.6**	**1,092.1**	403.0	421.3	824.3
of which cash flow hedges (GWh)	**509.5**	**582.6**	**1,092.1**	403.0	421.3	824.3
Propane swap contracts (k tons)	**-**	**-**	**-**	4.7	5.5	10.2
of which cash flow hedges (k tons)	**-**	**-**	**-**	4.7	5.5	10.2
Salt derivatives (k tons)	**53.3**	**-**	**53.3**	160.0	53.0	213.0

Nominal values of the financial instruments do not necessarily correspond to the actual cash flows between the counterparties, and individual items do not therefore give a fair view of the Group's risk position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(EUR million)

Fair values	2011 Assets gross	Liabilities gross	Total net	2010 Assets gross	Liabilities gross	Total net
Currency instruments						
Forward contracts	**5.0**	**-6.7**	**-1.7**	10.9	-2.8	8.1
Interest rate instruments						
Interest rate swaps	**-**	**-5.3**	**-5.3**	-	-6.0	-6.0
of which cash flow hedges	**-**	**-4.9**	**-4.9**	-	-4.7	-4.7
Interest rate options						
Bought	**-**	**-**	**-**	-	-	-
Sold	**-**	**-**	**-**	-	-	-
Bond futures	**-**	**-0.3**	**-0.3**	-	-	-
of which open	**-**	**-0.3**	**-0.3**	-	-	-
Other instruments						
Electricity forward contracts, bought	**-**	**-4.6**	**-4.6**	14.9	-	14.9
of which cash flow hedges	**-**	**-4.6**	**-4.6**	14.9	-	14.9
Propane swap contracts	**-**	**-**	**-**	0.1	-	0.1
of which cash flow hedges	**-**	**-**	**-**	0.1	-	0.1
Salt derivatives	**0.3**	**-**	**0.3**	-	-	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(EUR million)

Fair values	2011 Assets gross < 1 year	> 1 year	Liabilities gross < 1 year	> 1 year	2010 Assets gross < 1 year	> 1 year	Liabilities gross < 1 year	> 1 year
Currency instruments								
Forward contract	**5.0**	**-**	**-6.7**	**-**	10.9	-	-2.8	-
Interest rate instruments								
Interest rate swaps	**0.1**	**-**	**-0.6**	**-4.8**	-	-	-2.7	-3.3
of which cash flow hedges	**0.1**	**-**	**-0.2**	**-4.8**	-	-	-2.4	-2.3
Interest rate options								
Bought	**-**	**-**	**-**	**-**	-	-	-	-
Sold	**-**	**-**	**-**	**-**	-	-	-	-
Bond futures	**-**	**-**	**-**	**-0.3**	-	-	-	-
of which open	**-**	**-**	**-**	**-0.3**	-	-	-	-
Other instruments								
Electricity forward contracts, bought	**0.2**	**-**	**-3.3**	**-1.5**	11.1	3.8	-	-
of which cash flow hedges	**0.2**	**-**	**-3.3**	**-1.5**	11.1	3.8	-	-
Propane swap contracts	**-**	**-**	**-**	**-**	0.1	-	-	-
of which cash flow hedges	**-**	**-**	**-**	**-**	0.1	-	-	-
Salt derivatives	**0.3**	**-**	**-**	**-**	-	-	-	-

29. MANAGEMENT OF FINANCIAL RISKS

The Group Treasury manages financial risks in accordance with the treasury policy in force. Approved by the Board of Directors, the treasury policy defines treasury management principles. The Board of Directors approves the annual Treasury plan and the maximum permissible financial risk levels.

Financial risk management aims to protect the Company from unfavorable changes in financial markets, thus contributing to safeguarding the Company's profit performance and shareholders' equity. Kemira employs various financial instruments within the set limits. The Group uses only instruments whose market values and risks can be monitored continuously and reliably. It uses derivative instruments only for hedging purposes, not for speculative gain. Management of foreign exchange and interest rate risk is centralized in the Group Treasury.

FOREIGN EXCHANGE RISK

Foreign currency transaction risk arises from net currency flows denominated in currencies other than the domestic currency within and outside the eurozone. The Group's most significant transaction currency risks arises from Swedish krona and the U.S. dollar. Changes in currency transaction risks are due to changes in invoicing currencies. At the end of the year Swedish krona denominated exchange rate risk had an equivalent value of approximately EUR 40 million (EUR 11 million), average hedging rate being 33% (49%). The U.S. dollar denominated exchange rate risk had an equivalent value of approximately EUR 30 million (EUR 76 million) averige hedging rate being 42% (39%). Kemira is exposed to smaller transaction risks in relation to Canadian dollar, UK pound and Norwegian krona with the annual exposure in those currencies being approximately EUR 20 million.

Kemira mainly uses forwards and currency options in hedging against foreign exchange risks, which had less than a one year maturity at the end of 2011. The table below shows an estimate of the largest group-level foreign currency cash flow risks.

Transaction and translation exposure, EUR millions	2011 SEK	USD	Other	2010 USD	CAD	BRL	Other
Operative cash flow forecast [1]	**-39.9**	**27.8**	**74.0**	76.0	24.9	-22.4	44.5
Loans, net [2]	**17.4**	**128.9**	**24.9**	132.6	14.5	16.6	-10.3
Derivatives, transaction hedging	**11.2**	**-11.6**	**-37.1**	-26.9	-12.0	-	-13.4
Derivatives, translation hedging	**-**	**-136.4**	**-38.4**	-130.9	-11.5	-16.3	-30.8
Total	**-11.3**	**8.7**	**23.4**	50.8	15.9	-22.1	-10.0
Loans, hedging of a net investment							-41.3

[1] Based on 12 months operative cash flow forecast
[2] Does not include hedging of net investment in foreign entity

At the turn of 2011/2012, the foreign currency operative cash flow forecast for 2012 was EUR 146 million of which 41% was hedged (30%). The hedge ratio is monitored daily. In hedging the total cash flow risk, a neutral level is achieved when 50% of the forecasted net foreign currency cash flow is hedged. A minimum of 30% and a maximum of 100% of the forecast flow must always be hedged. A 10% fall in foreign exchange rates against the euro, based on the exchange rates quoted on the balance sheet date, and without hedging would reduce earnings before taxes by about EUR 10 million (EUR 11.2 million).

Since Kemira's consolidated financial statements are compiled in euros, Kemira is subject to currency translation risk to the extent that the income statement and balance sheet items of subsidiaries located outside Finland are reported in some other currency than the euro. Most significant translation risk currencies are US dollar, Swedish krona, Canadian dollar and Brazilian real.

Kemira's main equity items denominated in foreign currencies are in the Swedish krona, the US dollar and the Brazilian real. The objective is to hedge the balance sheet risk by maintaining a balance between foreign currency denominated liabilities and assets, currency by currency. Kemira hedges foreign currency equity items primarily with long-term loans.

In hedging the net investment in its units abroad, Kemira monitors the equity ratio. In accordance with the Group's policy, Kemira must take equity hedging measures if a change of +/- 5% in foreign exchange rates causes a change of more than 1.5 percentage points in the equity ratio.

(EUR million)

On the balance sheet date there was not any effective equity hedge. At the end of 2010, the nominal amount of hedge of net investments in foreign operations totaled EUR 41,3 million. All net investments in foreign entities were hedged with long-term loans. Overall this corresponded to a 3 % hedge ratio.

INTEREST RATE RISK

In accordance with the treasury policy, the Group's interest rate risk is measured with the duration which describes average repricing moment of the loan portfolio. The duration, must be in the range of 6–24 months. The Group may borrow by way of either fixed or floating rate instruments and use both interest rate swaps and interest rate options as well as forward rate agreements and interest rate futures, in order to meet the goal set under the related policy.

The duration of the Group's interest-bearing loan portfolio was 17 months at the end of 2011 (15 months). Excluding interest rate derivatives, the duration was 8 months (11 months). At the end of 2011, 58% of the Group's entire net debt portfolio, including derivatives and pension loans, consisted of fixed-interest borrowings (76.8%). The net financing cost of the Group's was 3.9% (4.5%). This figure is attained by dividing yearly net interest and other financing expenses excluding exchange rate differences and dividends by the average interest bearing net debt figure for the corresponding period. The most significant impact on the net financing cost arises from variation in the interest rate levels of the euro and the US dollar denominated debt. On the balance sheet date the average interest rate of loan portfolio was approximately 2.0%.

Fixed-interest financial assets and liabilities are exposed to price risks arising from changes in interest rates. Floating rate financial assets and liabilities, whose interest rate changes alongside market interest rates are exposed to cash flow risks due to interest rates.

The table below shows the time to interest rate fixing of the loan portfolio.

Time to interest rate fixing Dec. 31, 2011	**<1 year**	**1-5 years**	**> 5 year**	**Total**
Floating net liabilities	**218**			**218**
Fixed net liabilities	**80**	**183**	**35**	**298**
Total	**298**	**183**	**35**	**516**

Time to interest rate fixing Dec. 31, 2010	<1 year	1-5 years	> 5 year	Total
Floating net liabilities	124			124
Fixed net liabilities	247	118	47	412
Total	371	118	47	536

As a consequence of this treasury policy, the Group's average interest rate is generally higher than short-term market interest rates when low rates prevail and, on the other hand, lower than market interest rates when high rates prevail. If interest rates rose by one percentage point on January 1, 2012, the resulting interest expenses before taxes incurred by the Group over the next 12 months would increase by about EUR 2.9 million (EUR 2.1 million). During 2012, Kemira will re-price 64% (68%) of the Group's net debt portfolio, including derivatives.

On the balance sheet date, the Group had outstanding interest rate derivatives with a market value of EUR -5.3 million (EUR -6.0 million). Majority of the interest rate swaps are used to hedge the Group's loan portfolio, and are accounted for in accordance with the principles of hedge accounting set out in IAS 39. The market value of the interest rate swaps designated as cash flow hedge accounting instruments was EUR -4.9 million at the end of 2011 (EUR -4.7 million). The Group's accounting policies section describes the Group policy regarding hedge accounting. A one percentage point increase in interest rates would result in a positive impact of EUR 0.6 million (EUR 1.2 million) in equity (before taxes) from hedge accounting interest rate swaps.

PRICE RISK

The price of electricity varies greatly according to the market situation. Kemira Group takes hedging measures with respect to its electricity purchases in order to even out raw material costs. In line with its hedging policy, the Group hedges its existing sales agreements in such a way that the hedges cover the commitments made. The company primarily uses electricity forwards on the power exchange as hedging instruments. Currency and regional price risks connected with hedges are mainly hedged by making agreements in HELEUR amounts. The majority of outstanding electricity derivatives are treated in accordance with cash flow hedge accounting, as discussed above. The forecast physical deliveries of the underlying asset, or purchases, are not recorded until the delivery period. A 10% increase in the price of electricity hedging contracts would impact the valuation of these contracts in equity (before taxes) by EUR 12.7 million (EUR 4.9 million). In 2010, price risk for natural gas was partly hedged with comodity swap contracts, which were treated as cash flow hedging. In 2011 above mentioned natural gas hedge has been closed.

(EUR million)

Kemira Oyj owns shares in Pohjolan Voima Group (PVO). The fair value of PVO shares is based on the discounted cash flow resulting from the difference between the market price and the production cost of electricity. A decrease in the electricity market future price of 10% would lower fair value of shares by approximately 11% (19%). A one percentage point change in the discounted rate would change the fair value by 6% (10%).

Kemira's salt purchase agreement for years 2010 - 2012 includes an embedded derivative. The variable pricing component is dependent on the development of LFSO (Low Sulphur Fuel Oil) index in euros, thus there is an exposure both to the oil price and the EUR/USD exchange rate.

CREDIT AND COUNTERPARTY RISK

The Group's treasury policy defines the credit rating requirements for counterparties to investment activities and derivative agreements as well as the related investment policy. The Group seeks to minimize its counterparty risk by dealing solely with counterparties which are financial institutions with a good credit rating as well as by spreading agreements among them.

counterparties used by group treasury, all of which have a credit rating of at least A, based on Standard & Poor's credit rating information. A counterparty with a credit rating below A or an unrated counterparty requires the separate approval of the Board of Directors. The maximum risk assignable to the Group's financial institution counterparties on the balance sheet date amounted to EUR 189.8 million on the balance sheet date (EUR 117.8 million). Kemira monitors its counterparty risk on a monthly basis by defining the maximum risk associated with each counterparty, based on the market value of receivables. For each financial institution, Kemira has defined an approved limit. Credit risks associated with financing transactions did not result in credit losses during the financial year.

The counterparty risk in treasury operations is due to the fact that a contractual party to a financing transaction is not necessarily able to fulfill its contractual obligations. Risks are mainly related to investment activities and the counterparty risks associated with derivative contracts. Group Treasury may invest a maximum of EUR 150 million in liquid assets in the commercial papers of Finnish companies. The maximum investment in a single company totals EUR 30 million for a period of up to six months.

Kemira has a Group wide credit policy in place. Products are sold only to companies whose credit information does not indicate payment irregularities. The Group does not have any significant credit risk concentrations because of its extensive customer base spread across the world. Credit limits apply to most customers and are monitored systematically. In some cases, documentary payments are in use, such as letters of credit. The age distribution of trade receivables outstanding at the end of 2011 is shown in the following table.

Ageing of trade receivables	**2011**	2010
Undue trade receivables	**250.5**	254.4
Trade receivables 1–90 days overdue	**46.0**	33.5
Trade receivables more than 91 days overdue	**3.5**	7.1
Total	**300.0**	295.0

Impairment loss of trade receivables amounted to EUR 3.2 million (EUR 5.2 million).

LIQUIDITY AND REFINANCING RISKS

In order to safeguard its liquidity, the Group uses account overdrafts, money market investments and a revolving credit facility. The Group's cash and cash equivalents at the end of 2011 stood at EUR 185.8 million (EUR 91.8 million), of which short-term investment accounted for EUR 61.7 million (EUR 58.5 million) and bank deposits EUR 124.1 million (EUR 33.3 million). In June, Kemira Oyj signed a 5 year revolving credit facility of EUR 300 million which replaced credit facility.

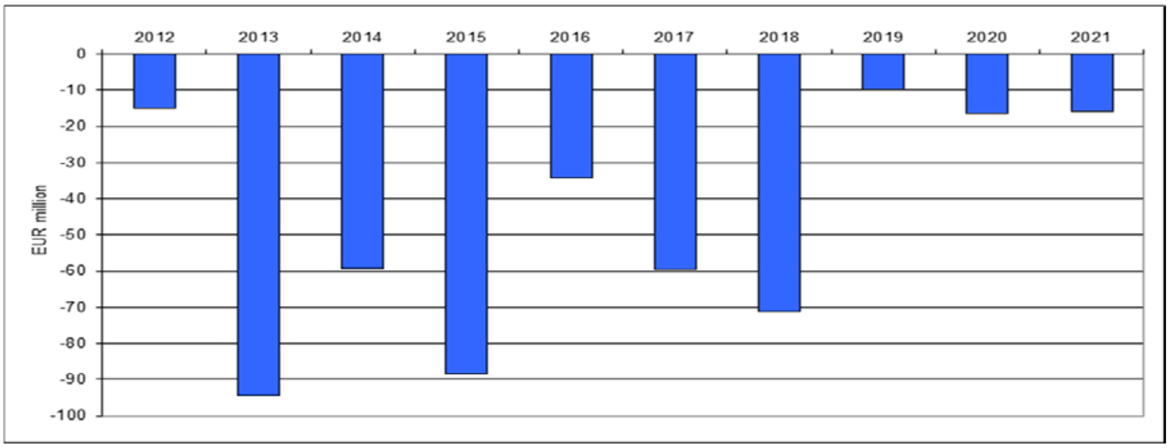
The Group diversifies its refinancing risk by raising financing from various sources. The Group has bank loans, pension loans, insurance company loans as well as short-term domestic commercial paper program, with the objective of balancing the maturity schedule of the loan portfolio and maintaining a sufficiently long maturity for long-term loans.

In accordance with the Group Treasury policy, the average maturity of outstanding loans should always be at least 3 years. The Group must have committed credit facilities to cover planned funding needs, the current portion of long term debt, commercial paper borrowings and other uncommitted short-term loans in the next 12 months. Moreover, the maturity profile of the long term debt portfolio and refinancing should be planned so that a maximum of 30% of the total debt portfolio will mature during the next 12 month period. The average maturity of debt at the end of 2011 was 3.6 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

The Group has a EUR 600 million domestic commercial paper program enabling it to issue commercial papers with a maximum maturity of one year. At the end of 2011 the amount raised from commercial paper markets was EUR 164 million. Simultaneously the group had EUR 185.8 million of outstanding liquid short- and long-term investments. In addition, the Group has a 300 million euro revolving credit facility, which matures in June 2016. At the turn of the year 2011/2012 revolving credit facility was undrawn (EUR 10.0 million). The revolving credit facility represents a flexible form of both short-term and long term financing with a predictable fee-structure.

Maturity split of net debt



CAPITAL STRUCTURE MANAGEMENT

The Group's long-term objective is to maintain the gearing ratio below 60%. To calculate the gearing ratio, interest-bearing net liabilities (interest-bearing liabilities less cash and cash equivalents) are divided by shareholders' equity. The new revolver credit facility agreement contains a covenant according to which the company gearing must be under 100%.

Besides gearing, certain other bilateral loan agreements contain a covenant according to which the Company represents and warrants that its financial standing will remain such that the consolidated shareholders' equity is always at least 25% of the consolidated total assets (equity ratio).

The Board of Directors will propose a per-share dividend of EUR 0.53 for 2011 (EUR 0.48), corresponding to a dividend payout ratio of 59% (66%). The long-term objective is to distribute more than 50% of the net operating income in dividends to the shareholders.

	2011	2010
Interest-bearing liabilities	**701.6**	**627.4**
Cash and cash equivalents	**185.8**	**91.8**
Interest-bearing net liabilities	**515.8**	**535.6**
Equity	**1,370.80**	**1,365.80**
Total assets	**2,676.50**	**2,543.70**
Gearing	**38 %**	**39 %**
Equity ratio	**51 %**	**54 %**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

CASH AND CASH EQUIVALENTS

	2011		2010	
	Book value	**Fair value**	Book value	Fair value
Cash and cash equivalents	**124.1**	**124.1**	**33.3**	33.3
Money market investments	**54.9**	**54.9**	**50.1**	50.1
Investments for the interest funds	**6.8**	**6.8**	**8.4**	8.4
Total	**185.8**	**185.8**	**91.8**	91.8

Money market investments are short-term. Fair value of investment for interest funds are based on valuation received from contracting parties

NON-CURRENT INTEREST-BEARING LOANS AND AMORTIZATIONS OF NON-CURRENT INTEREST-BEARING LOANS

Currency

	31.12.2011		Maturity					
	Fair value	**Book value**	2012	2013	2014	2015	2016	2017-
EUR	**249.8**	**245.7**	32.9	20.3	24.6	74.6	24.6	68.7
USD	**264.4**	**257.4**	8.9	93.2	47.6	8.9	8.9	89.9
Other	**27.5**	**28.0**	24.9	-	-	3.0	-	0.1
Total	**541.7**	**531.1**	66.7	113.5	72.2	86.5	33.5	158.7

Currency

	31.12.2010		Maturity					
	Fair value	Book value	2011	2012	2013	2014	2015	2016-
EUR[1)]	282.5	272.6	36.8	16.6	20.2	24.7	74.6	99.7
SEK	61.6	61.4	61.4	-	-	-	-	-
USD	260.5	259.6	8.9	59.8	39.4	46.3	8.9	96.3
Other	27.5	27.3	14.8	9.2	-	3.3	-	-
Total	632.1	620.9	121.9	85.6	59.6	74.3	83.5	196.0

[1)] Includes EUR 10.0 milllion raised from the revolving credit facility agreement.

Figures include the amortizations planned for 2012 (2011) excluding commercial papers, finance lease liabilities and other current loans.

(EUR million)

CASH FLOW FROM ALL FINANCIAL LIABILITIES

Loan type

	31.12.2011		Maturity					
	Drawn	**Undrawn**	2012	2013	2014	2015	2016	2017-
Long-term interest bearing liabilities	**531.1**	**-**		**66.6**	**113.5**	**72.2**	**86.5**	**33.5**
financial expenses				**1.4**	**2.3**	**1.5**	**1.8**	**0.7**
Revolving credit facility	**-**	**300.0**						
financial expenses								
Finance lease liabilities	**1.2**	**-**						
financial expenses				**0.1**				
Commercial paper program	**164.0**	**436.0**		**164.0**				
financial expenses				**0.8**				
Other interest-bearing current loans	**6.2**	**-**		**6.2**				
financial expenses				**0.1**				
Interest-bearing loans	**702.5**	**736.0**		**239.2**	**115.8**	**73.7**	**88.3**	**34.2**
Trade payables	**191.5**			**191.5**				
Forward contracts								
liabilities	**554.6**			**554.6**				
assets	**-552.9**			**-552.9**				
Other derivatives [1]	**9.9**			**3.6**	**1.9**	**1.7**	**0.9**	**1.8**
Trade payables and derivatives	**203.1**			**196.8**	**1.9**	**1.7**	**0.9**	**1.8**
Total	**905.6**	**736.0**		**436.0**	**117.7**	**75.4**	**89.2**	**36.0**
Guarantees				**4.4**				

Loan type

	31.12.2010		Maturity					
	Drawn	Undrawn	2011	2012	2013	2014	2015	2016-
Long-term interest bearing liabilities	610.9	-	111.9	85.6	59.6	74.3	83.5	196.0
financial expenses			2.2	1.7	1.2	1.5	1.7	3.9
Revolving credit facility	10.0	490.0	10.0					
financial expenses			0.1					
Finance lease liabilities	1.8	-	0.6	1.2				
financial expenses			0.1					
Commercial paper program	-	600.0						
financial expenses								
Other interest-bearing current loans	5.5	-	5.5					
financial expenses			0.1					
Interest-bearing loans	628.2	1,090.0	130.5	88.5	60.8	75.8	85.2	199.9
Trade payables	143.4		143.4					
Forward contracts			0.0					
liabilities	607.7		607.7					
assets	-615.8		-615.8					
Other derivatives [1]	-9.0		-8.5	-1.8	0.4	0.9		
Trade payables and derivatives	126.3		126.8	-1.8	0.4	0.9		
Total	754.5	1,090.0	257.3	86.7	61.2	76.7	85.2	199.9
Guarantees			4.4					

[1] Interest rate swaps, currency swaps and electricity and salt forwards, in 2010 natural gas forward as well.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

30. COMMITMENTS AND CONTINGENT LIABILITIES

	2011	2010
LOANS SECURED BY MORTGAGES IN THE BALANCE SHEET AND FOR WHICH MORTGAGES ARE GIVEN AS COLLATERAL		
Loans from financial institutions	**0.3**	0.5
Mortgages given	**0.5**	0.9
Loans from pension institutions	**0.0**	9.8
Mortgages given	**0.0**	12.2
Other loans	**0.0**	0.3
Mortgages given	**0.0**	0.8
Total mortgage loans	**0.3**	10.6
Total mortgages given	**0.5**	13.9
CONTINGENT LIABILITIES		
Assets pledged		
On behalf of own commitments	**6.3**	6.3
Guarantees		
On behalf of own commitments	**48.9**	45.2
On behalf of associates	**0.7**	0.8
On behalf of others	**4.4**	4.4
Operating lease commitments - The Group as lessee		
Minimum lease payments under operating leases are as follows:		
No later than 1 year	**27.8**	21.3
1 - 5 years	**61.8**	64.9
Later than 5 years	**84.2**	104.9
Total	**173.8**	191.1
Other obligations		
On behalf of own commitments	**1.3**	1.1
On behalf of associates	**1.4**	1.6

THE MOST SIGNIFICANT OFF-BALANCE SHEET INVESTMENTS COMMITMENTS

Major amounts of contractual commitments for the acquisition of property, plant and equipment on December 31, 2011 were about EUR 14.5 million for plant investment in China and Europe.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(EUR million)

LITIGATION

On August 19, 2009, Kemira Oyj received a summons stating that Cartel Damage Claims Hydrogen Peroxide SA (CDC) had filed an action against six hydrogen peroxide manufacturers, including Kemira, for violations of competition law applicable to the hydrogen peroxide business. In its claim, Cartel Damage Claims Hydrogen Peroxide SA seeks an order from the Regional Court of Dortmund in Germany to obtain an unabridged and full copy of the decision of the European Commission, dated May 3, 2006, and demands that the defendants, including Kemira, are jointly and severally ordered to pay damages together with accrued interest on the basis of such decision.

Cartel Damage Claims Hydrogen Peroxide SA has stated that it will specify the amount of the damages at a later stage after the full copy of the decision of the European Commission has been obtained by it. In order to provide initial guidance as to the amount of such damages, Cartel Damage Claims Hydrogen Peroxide SA presents in its claim a preliminary calculation of the alleged overcharge having been paid to the defendants as a result of the violation of the applicable competition rules by the parties which have assigned and sold their claim to Cartel Damage Claims Hydrogen Peroxide SA. In the original summons such alleged overcharge, together with accrued interest until December 31, 2008, was stated to be EUR 641.3 million.

Thereafter Cartel Damage Claims Hydrogen Peroxide SA has delivered to the attorneys of the defendants an April 14, 2011 dated brief addressed to the court and an expert opinion. In the said brief the minimum damage including accrued interest until December 31, 2010, based on the expert opinion, is stated to be EUR 475.6 million. It is further stated in the brief that the damages analysis of the expert does not include lost profit.

The process is currently pending in the Regional Court of Dortmund, Germany. Kemira defends against the claim of Cartel Damage Claims Hydrogen Peroxide SA.

Kemira Oyj has additionally been served on April 28, 2011 a summons stating that Cartel Damage Claims Hydrogen Peroxide SA has filed an application for summons in the municipal court of Helsinki on April 20, 2011 for violations of competition law applicable to the hydrogen peroxide business claiming from Kemira Oyj as maximum compensation EUR 78.0 million as well as overdue interest starting from November 10, 2008 as litigation expenses with overdue interest. The referred violations of competition law are the same as those on basis of which CDC has taken legal action in Germany in Dortmund. Kemira defends against the claim of Cartel Damage Claims Hydrogen Peroxide SA and requires that the claim shall not be considered.

Kemira Oyj's subsidiary Kemira Chemicals Oy (former Finnish Chemicals Oy) has on June 9, 2011 received documents where it is stated that CDC Project 13 SA has filed an action against four companies, including Kemira, asking damages for violations of competition law applicable to the sodium chlorate business. The European Commision 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. Kemira defends against the claim of CDC Project 13 SA.

Kemira is currently not in a position to make any estimate regarding the duration or the likely outcome of the processes started by Cartel Damage Claims Hydrogen Peroxide SA and CDC Project 13 SA. No assurance can be given as to the outcome of the processes, and unfavorable judgments against Kemira could have a material 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.

31. ENVIRONMENTAL RISKS AND LIABILITIES

The bulk of Kemira’s business is in the chemical industry, whose products and operations are governed by numerous international agreements and regional and national legislation all over the world. The Group treats its environmental liabilities and risks in the consolidated financial statements in accordance with IFRS and environmental observes established internal principles and procedures. Divestments and acquisitions did not change the Group's environmental environmental liabilities considerably. Provisions for environmental remediation totaled EUR 14.7 million (EUR 19.6 million). The major provisions relate to the closing of the waste piling area in Pori, and to the limited reconditioning of the sediment of a lake adjacent to the Vaasa plant. The pile closing project in Pori proceeded as planned. In Vaasa, the remediation project had to be stopped in August because of the work safety risks, and an application for cancelling the remaining remedial works is pending with environmental authorities.

EMISSION ALLOWANCES

The Group holds assigned emissions allowances under the EU Emissions Trading System at one site in Sweden where four additional plant units came under the trading scheme. At Group level, the allowances showed a net deficit of 31,085 tons (a surplus of 2,365 tons in 2010) In addition, the Oulu plants in Finland submitted a permit application to the authorities concerning emission allowances.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

32. RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party is able to exercise control over the other or substantially influence the decision-making concerning finances and business operations. The Group's related parties include the parent company, subsidiaries, associates, joint-ventures and pension funds. Related parties also include the members of the Board of Directors and the Group's Management Boards, the CEO and his deputy and their immediate family members. Key management persons are the members of the Group Management Boards.

KEY MANAGEMENT EMPLOYEE BENEFITS

	2011	2010
Wages, salaries and other short-term employee benefits	**4.0**	4.6
Post-employment benefits	**-**	-
Share-based payment	**1.8**	2.9
Total	**5.8**	7.5

The emolument of Kemira Oyj's CEO was EUR 1,409,719 (EUR 1,568,080), including bonuses of EUR 754,267 (EUR 912,628) and his deputy was EUR 513,847 (EUR 554,435) including bonuses of EUR 276,320 (EUR 314,412).

No loans had been granted to the management in the end of 2011 and 2010, nor there were any contingency items or commitments on behalf of key management personnel. Persons belonging to the company's key management, including parties closely associated with them, are not involved in substantial business relationships with the company.

MANAGEMENT'S PENSION COMMITMENTS AND TERMINATION BENEFITS

Wolfgang Büchele has been appointed Kemira Oyj's CEO of April 1, 2012, the date Kemira's current CEO Harri Kerminen will retire. Under Kemira's voluntary pension fund, the member and CEO Harri Kerminen has the right to retire at the age of 60. Jyrki Mäki-Kala is Kemira's deputy CEO.

The maximum pension benefit for the CEO, Harri Kerminen, is 66% of the pension-based salary. Both the age of retirement and the amount of the pension benefit are based on the Kemira's voluntary pension fund's (closed to new members since January 1, 1991) benefits. The pension fund's benefits concern all the personnel, who have been in service before the year 1991. The pension fund's benefits concern all the personnel, whose years of service and other conditions for granting of pension have been fulfilled. Similar arrangements have been made also in other Group companies.

The period of notice for Kemira Oyj's CEO is 6 months. In case the company would give notice to CEO, he will receive an emolument equaling 12 month's salary. The respective periods for deputy CEO are 6 months and 6 months.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

THE BOARD OF DIRECTORS EMOLUMENTS

Based on the decision at the Annual General Meeting on March 22, 2011, the annual fee be paid as a combination of the shares and cash in such manner that 40% of the annual fee is paid with company's shares, and 60% is paid in cash.

MEMBERS OF THE BOARD OF DIRECTORS

	Number of shares	Share value, EUR	Cash compensation, EUR	**2011 Total, EUR**	2010 Total, EUR
Pekka Paasikivi, Chairman	2,394	29,700	52,224	**81,924**	90,300
Jukka Viinanen, Vice Chairman	1,456	18,064	38,647	**56,711**	61,500
Elizabeth Armstrong	1,165	14,453	45,315	**59,768**	63,600
Wolfgang Büchele	1,165	14,453	36,915	**51,368**	52,800
Winnie Fok (since March 22, 2011)	1,165	14,453	33,315	**47,768**	
Juha Laaksonen	1,165	14,453	30,915	**45,368**	49,800
Kaija Pehu-Lehtonen (until March 22, 2011)			1,800	**1,800**	50,400
Kerttu Tuomas (since March 16, 2010)	1,165	14,453	28,515	**42,968**	37,800
Jarmo Väisänen (until March 16, 2010)					11,400

OTHER RELATED-PARTY DISCLOSURE

Sales and purchases of goods and services to and from associates as well as receivables from associates are specified in note 8. The amount of contingent liabilities on behalf of associates are presented in note 30.

Related parties include Pension Fund Neliapila, which is a separate legal entity. Pension Fund Neliapila manages Kemira Oyj voluntarily organized additional pension fund.

Pension Fund Neliapila manages part of the pension assets of the Group's personnel in Finland. The assets include Kemira shares representing 0.08% of the company's outstanding shares.

In December 2011, Kemira Oyj has according to an agreement with Pension Fund Neliapila bought 2.5% of Pohjolan Voima Oy shares from Pension Fund Neliapila. Purchase price of the shares was EUR 102.8 million. Pension Fund Neliapila owns 0.0% (2.6%) of Pohjolan Voima's shares. Kemira Oyj buys electricity from Pohjolan Voima in proportion to the pension fund's share of the ownership for Group use and also for selling it to external parties. The shareholders can buy electricity from the company at a price that covers its production expenses. This price has been clearly below the average market price.

TRANSACTION WITH OTHER RELATED PARTIES

	2011	2010
Sales	**56.0**	27.9
Purchases	**8.4**	4.7
Finance income and costs	**0.0**	0.0
Receivables	**4.8**	4.4
Liabilities	**0.5**	7.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

33. CHANGES IN GROUP STRUCTURE

ACQUISITIONS OF GROUP COMPANIES AND NEW SUBSIDIARIES THAT HAVE BEEN FOUNDED

- Kemira Oyj bought the rest of the shares of Kemira-Tiancheng Chemicals (Yanzhou) Co., Ltd (49 %) on July 30, 2011.

DIVESTMENTS OF GROUP COMPANIES

- Kemira Oyj sold Oy Galvatek Ab and its Polish subsidiary to Finnish capital investment company Folmer on October 13, 2011.

CHANGES IN THE HOLDINGS OF GROUP COMPANIES WITHIN THE GROUP

- Kemira Polymers Manufacturing B.V. was merged to Kemira Water Solutions B.V. on January 1, 2011.
- Kemira Chemicals B.V. was merged to Kemira Water Solutions B.V. on November 1, 2011.

NAME CHANGES

Old name	New name
Kemira Water Solutions B.V.	Kemira Rotterdam B.V.
Kemira-Tiancheng Chemicals (Yanzhou) Co., Ltd	Kemira Chemicals (Yanzhou) Co., Ltd

NOTES TO CONSOLIDATED FINANCIAL STATEMENT
(EUR million)

34. GROUP COMPANIES

	Kemira Group's Holding %	City	Country
Kemira Oyj		Helsinki	Finland
Aliada Quimica de Portugal Lda.	50.10	Estarreja	Portugal
AS Kemivesi	100.00	Tallinn	Estonia
Chesapeake Agro-Iron, LLC	100.00	Atlanta, GA	United States
Clean Water Logistics, LLC	100.00	Atlanta, GA	United States
Corporación Kemira Chemicals de Venezuela, C.A.	100.00	Caracas	Venezuela
Finnchem USA, Inc.	100.00	Delaware	United States
Finnish Chemicals Corporation	100.00	Delaware	United States
HTC Augusta Inc	100.00	Delaware	United States
Industry Park i Helsingborg Förvaltning AB	100.00	Lund	Sweden
Kemifloc a.s.	51.00	Prerov	Czech Republic
Kemifloc Slovakia S.r.o.	51.00	Sol	Slovakia
Kemipol Sp. z o.o.	51.00	Police	Poland
Kemipol-Ukraina Ltd	51.00	Chmielnicki	Ukraine
Kemira Argentina S.A.	100.00	Buenos Aires	Argentina
Kemira Asia Pacific Pte. Ltd.	100.00	Singapore	Singapore
Kemira Cell sp.z.o.o	55.00	Ostroleka	Poland
Kemira Chemicals (Nanjing) Co. Ltd	100.00	Nanjing	China
Kemira Chemicals (Shanghai) Co. Ltd.	100.00	Shanghai	China
Kemira Chemicals (UK) Ltd	100.00	Harrogate	United Kingdom
Kemira Chemicals (Yanzhou) Co., Ltd	100.00	Yanzhou City	China
Kemira Chemicals AS	100.00	Gamle Fredrikstad	Norway
Kemira Chemicals Brasil Ltda	100.00	São Paulo	Brazil
Kemira Chemicals Canada Inc.	100.00	Maitland	Canada
Kemira Chemicals India Private Limited	100.00	Andra Pradesh	India
Kemira Chemicals Oy	100.00	Helsinki	Finland
Kemira Chemicals S.A./N.V.	100.00	Aartselaar	Belgium
Kemira Chemicals, Inc.	100.00	Atlanta, GA	United States
Kemira Chemie Ges.mbH	100.00	Krems	Austria
Kemira ChemSolutions B.V.	100.00	Tiel	Netherlands
Kemira Chile Comercial Limitada	100.00	Santiago	Chile
Kemira Chimica S.p.A.	100.00	Milano	Italy
Kemira Chimie S.A.S.U.	100.00	Lauterbourg	France
Kemira de México, S.A. de C.V.	100.00	Tlaxcala	Mexico
Kemira Europe Oy	100.00	Helsinki	Finland
Kemira Finance Solutions B.V.	100.00	Rotterdam	Netherlands
Kemira France SAS	100.00	Lauterbourg	France
Kemira Germany GmbH	100.00	Leverkusen	Germany
Kemira Germany Sales GmbH	100.00	Leverkusen	Germany
Kemira Hong Kong Company Limited	100.00	Hong Kong	China
Kemira Ibérica S.A.	100.00	Barcelona	Spain
Kemira Ibérica Sales and Marketing S.L.	100.00	Barcelona	Spain
Kemira Indus Limited	51.00	Hyderabad	India
Kemira International Finance B.V.	100.00	Rotterdam	Netherlands
Kemira Kemi AB	100.00	Helsingborg	Sweden
Kemira Kopparverket KB	100.00	Helsingborg	Sweden
Kemira Korea Corporation	100.00	Gangnam-Gu	South-Korea
Kemira KTM d.o.o.	100.00	Ljubljana	Slovenia
Kemira Logistics, Inc.	100.00	Atlanta, GA	United States
Kemira Nederland Holding B.V.	100.00	Rotterdam	Netherlands

NOTES TO CONSOLIDATED FINANCIAL STATEMENT
(EUR million)

Kemira Operon Oy	100.00	Helsinki	Finland
Kemira Polar A/S	100.00	Copenhagen	Denmark
Kemira Rotterdam B.V.	100.00	Rotterdam	Netherlands
Kemira Specialty Chemicals, Inc.	100.00	Atlanta, GA	United States
Kemira Taiwan Corporation	100.00	Taipei	Taiwan
Kemira Teesport Limited	100.00	Teesport	United Kingdom
Kemira Uruguay S.A.	100.00	Montevideo	Uruguay
Kemira Water Danmark A/S	100.00	Esbjerg	Denmark
Kemira Water Solutions Brasil -Produtos para tratamento de agua Ltda.	100.00	São Paulo	Brazil
Kemira Water Solutions Canada Inc.	100.00	Varennes Qs	Canada
Kemira Water Solutions, Inc.	100.00	Atlanta, GA	United States
Kemira-Swiecie sp. z o.o	100.00	Swiecie	Poland
Kemwater Brasil S.A.	100.00	Camaçari	Brazil
Kemwater ProChemie s.r.o.	95.10	Bakov nad Jizerou	Czech Republic
LA Water, LLC	100.00	Atlanta, GA	United States
Nheel Quimica Ltda	100.00	Rio Claro	Brazil
PT Kemira Indonesia	100.00	Jakarta	Indonesia
Riverside Development Partners, LLC	100.00	Atlanta, GA	United States
SC Kemwater Cristal SRL	78.45	Bucharest	Romania
Scandinavian Tanking System A/S	100.00	Copenhagen	Denmark
Spruce Vakuutus Oy	100.00	Helsinki	Finland
Water Elements Las Vegas, LLC	100.00	Atlanta, GA	United States
Water Elements, LLC	100.00	Atlanta, GA	United States
ZAO "Kemira HIM"	100.00	St. Petersburg	Russia
ZAO Kemira Eko	100.00	St. Petersburg	Russia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

35. EVENTS AFTER THE BALANCE SHEET DATE

The Group has no significant events after the balance sheet date.

QUARTERLY EARNINGS PERFORMANCE

(EUR million)

(The figures are unaudited)

	1-3	4-6	7-9	10-12	2011 Total	1-3	4-6	7-9	10-12	2010 Total
CONTINUING OPERATIONS										
Revenue										
Paper	**253.2**	**242.2**	**243.4**	**234.5**	**973.3**	234.0	247.4	259.9	243.0	984.3
Municipal & Industrial	**157.8**	**166.6**	**173.7**	**166.6**	**664.7**	148.4	163.7	164.0	167.5	643.6
Oil & Mining	**83.7**	**84.8**	**87.2**	**80.0**	**335.7**	66.6	78.1	80.2	72.6	297.5
Other	**62.1**	**55.2**	**54.0**	**62.2**	**233.5**	65.7	56.0	50.3	63.5	235.5
Total	**556.8**	**548.8**	**558.3**	**543.3**	**2,207.2**	514.7	545.2	554.4	546.6	2,160.9
Operating profit										
Paper	**22.7**	**20.0**	**18.5**	**18.3**	**79.5**	15.2	21.0	24.0	8.2	68.4
Municipal & Industrial	**11.6**	**10.9**	**15.4**	**5.8**	**43.7**	14.6	14.8	14.5	11.9	55.8
Oil & Mining	**9.4**	**8.1**	**10.2**	**7.2**	**34.9**	6.4	10.3	8.8	6.4	31.9
Other including eliminations	**1.2**	**-1.7**	**-3.3**	**4.0**	**0.2**	2.2	-1.6	-1.3	0.7	0.0
Total	**44.9**	**37.3**	**40.8**	**35.3**	**158.3**	38.4	44.5	46.0	27.2	156.1
Finance costs, net	**-3.8**	**-3.9**	**-7.7**	**-5.5**	**-20.9**	-7.9	-9.8	-3.0	-6.7	-27.4
Share of profit or loss of associates	**7.5**	**7.3**	**9.0**	**7.2**	**31.0**	1.2	2.6	3.0	2.4	9.2
Profit before tax	**48.6**	**40.7**	**42.1**	**37.0**	**168.4**	31.7	37.3	46.0	22.9	137.9
Income tax expense	**-10.7**	**-9.0**	**-9.2**	**0.8**	**-28.1**	-4.0	-10.0	-10.2	2.2	-22.0
Net profit for the period from continuing operations	**37.9**	**31.7**	**32.9**	**37.8**	**140.3**	27.7	27.3	35.8	25.1	115.9
DISCONTINUED OPERATIONS										
Net profit for the period, discontinued operations	**-**	**-**	**-**	**-**	**-**	531.0	-	-	-	531.0
Net profit for the period	**37.9**	**31.7**	**32.9**	**37.8**	**140.3**	558.7	27.3	35.8	25.1	646.9
Attributable to, continuing operations										
Equity holders of the parent	**36.6**	**30.7**	**31.5**	**36.8**	**135.6**	26.8	25.9	34.5	23.7	110.9
Non-controlling interests	**1.3**	**1.0**	**1.4**	**1.0**	**4.7**	0.9	1.4	1.3	1.4	5.0
Net profit for the period from continuing operations	**37.9**	**31.7**	**32.9**	**37.8**	**140.3**	27.7	27.3	35.8	25.1	115.9
Earnings per share, continuing operations basic and diluted, EUR	**0.24**	**0.20**	**0.21**	**0.24**	**0.89**	0.18	0.17	0.23	0.15	0.73
Earnings per share, basic and diluted, EUR	**0.24**	**0.20**	**0.21**	**0.24**	**0.89**	3.68	0.17	0.23	0.15	4.23
Capital employed, rolling					**1,705.0**					1,665.1
Return on capital employed (ROCE), %					**11.1%**					9.9%

NOTES TO CONSOLIDATED FINANCIAL STATEMENT
(EUR million)

Kemira Operon Oy	100.00	Helsinki	Finland
Kemira Polar A/S	100.00	Copenhagen	Denmark
Kemira Rotterdam B.V.	100.00	Rotterdam	Netherlands
Kemira Specialty Chemicals, Inc.	100.00	Atlanta, GA	United States
Kemira Taiwan Corporation	100.00	Taipei	Taiwan
Kemira Teesport Limited	100.00	Teesport	United Kingdom
Kemira Uruguay S.A.	100.00	Montevideo	Uruguay
Kemira Water Danmark A/S	100.00	Esbjerg	Denmark
Kemira Water Solutions Brasil -Produtos para tratamento de agua Ltda.	100.00	São Paulo	Brazil
Kemira Water Solutions Canada Inc.	100.00	Varennes Qs	Canada
Kemira Water Solutions, Inc.	100.00	Atlanta, GA	United States
Kemira-Swiecie sp. z o.o	100.00	Swiecie	Poland
Kemwater Brasil S.A.	100.00	Camaçari	Brazil
Kemwater ProChemie s.r.o.	95.10	Bakov nad Jizerou	Czech Republic
LA Water, LLC	100.00	Atlanta, GA	United States
Nheel Quimica Ltda	100.00	Rio Claro	Brazil
PT Kemira Indonesia	100.00	Jakarta	Indonesia
Riverside Development Partners, LLC	100.00	Atlanta, GA	United States
SC Kemwater Cristal SRL	78.45	Bucharest	Romania
Scandinavian Tanking System A/S	100.00	Copenhagen	Denmark
Spruce Vakuutus Oy	100.00	Helsinki	Finland
Water Elements Las Vegas, LLC	100.00	Atlanta, GA	United States
Water Elements, LLC	100.00	Atlanta, GA	United States
ZAO "Kemira HIM"	100.00	St. Petersburg	Russia
ZAO Kemira Eko	100.00	St. Petersburg	Russia

35. EVENTS AFTER THE BALANCE SHEET DATE

The Group has no significant events after the balance sheet date.

KEMIRA OYJ INCOME STATEMENT (FAS)

(EUR)

		Year ended 31 December	
	Note	**2011**	2010
Revenue	2	**1,365,328,047.43**	322,271,234.89
Change in inventories of finished goods	4	**-64,302,433.70**	1,023,651.74
Own work capitalized	4	**145,017.50**	671,422.00
Other operating income	3	**57,086,767.82**	306,267,482.52
Materials and services	4	**-918,818,576.51**	-211,131,697.11
Personnel expenses	5	**-49,540,646.28**	-66,705,581.37
Amortization and impairments	6	**-29,678,760.58**	-34,053,301.95
Other operating expenses	4	**-273,493,510.11**	-159,038,676.24
Operating profit/loss		**86,725,905.57**	159,304,534.48
Financial income and expenses	7	**90,498,273.38**	11,869,432.78
Profit/loss before extraordinary items		**177,224,178.95**	171,173,967.26
Extraordinary items	8	**68,194,000.00**	16,900,238.07
Profit/loss before appropriations and taxes		**245,418,178.95**	188,074,205.33
Appropriations	6	**1,265,448.16**	2,961,941.70
Income tax	9	**-1,084,790.34**	3,317,255.19
Net profit/loss		**245,598,836.77**	194,353,402.22

KEMIRA OYJ BALANCE SHEET (FAS)

(EUR)

	Note	As at 31 December 2011	2010
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	**130,893,763.13**	45,756,267.87
Property, plant and equipment	11	**24,824,483.96**	77,604,249.04
Investments	12		
Holdings in subsidiaries		**1,604,351,760.73**	1,530,957,983.82
Holdings in associates		**125,819,988.91**	137,519,988.91
Other shares and holdings		**135,848,548.91**	47,818,079.97
Total investments		**1,866,020,298.55**	1,716,296,052.70
Total non-current assets		**2,021,738,545.64**	1,839,656,569.61
CURRENT ASSETS			
Inventories	13	**105,153,438.71**	20,089,943.34
Non-current receivables	14	**115,339,862.06**	112,131,766.18
Current receivables	14	**442,913,028.25**	94,328,673.66
Money market investments - cash equivalents	15	**43,138,493.86**	37,838,785.38
Cash and cash equivalents		**5,809,184.25**	61,155,360.52
Total current assets		**712,354,007.13**	325,544,529.08
Total assets		**2,734,092,552.77**	2,165,201,098.69

	Note	As at 31 December 2011	2010
EQUITY AND LIABILITIES			
EQUITY	16		
Share capital		**221,761,727.69**	221,761,727.69
Share premium		**257,877,731.94**	257,877,731.94
Reserve for unrestricted capital invested		**199,963,876.20**	199,963,876.20
Retained earnings		**187,565,586.70**	64,158,798.20
Net profit/ loss for the financial year		**245,598,836.77**	194,353,402.22
Total equity		**1,112,767,759.30**	938,115,536.25
Appropriations	17	**12,635,611.83**	33,087,883.53
Obligatory provisions	18	**40,224,624.07**	43,855,406.37
LIABILITIES			
Non-current liabilities	19	**259,175,027.89**	525,752,841.35
Current liabilities	20	**1,309,289,529.68**	624,389,431.19
Total liabilities		**1,568,464,557.57**	1,150,142,272.54
Total equity and liabilities		**2,734,092,552.77**	2,165,201,098.69

KEMIRA OYJ CASH FLOW STATEMENT (FAS)

(EUR)

	Year ended 31 December 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating result	**245,598,836.77**	194,353,402.22
Adjustments to operating result		
Depreciation, amortization and impairment	**29,678,760.58**	34,053,301.95
Income taxes	**1,084,790.34**	-3,317,255.19
Finance expenses, net	**-90,498,273.38**	-11,869,432.78
Other non-cash income and expenses not involving cash flow	**-104,924,507.40**	-273,056,513.77
Operating profit before change in working capital	**80,939,606.91**	-59,836,497.57
Change in working capital		
Increase (-) / decrease (+) in inventories	**-85,063,495.37**	61,839.91
Increase (-) / decrease (+) in trade and other receivables	**-367,137,627.65**	92,798,524.49
Increase (+) / decrease (-) in trade payables and other liabilities	**137,639,375.04**	-2,948,244.38
Change in working capital	**-314,561,747.98**	89,912,120.02
Cash generated from operations	**-233,622,141.07**	30,075,622.45
Interest and other finance cost paid	**-45,088,292.78**	-53,605,310.71
Interest and other finance income received	**16,699,277.94**	7,323,112.88
Realized exchange gains and losses	**-5,583,141.85**	11,794,991.01
Dividends received	**119,104,245.02**	61,069,242.98
Income taxes paid	**-767,096.93**	0.00
Net cash generated from operating activities	**-149,257,149.67**	56,657,658.61
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of subsidiaries	**-13,600,228.28**	-817,505,738.74
Acquisitions of associated companies, and other shares	**-102,859,784.15**	-378,000.00
Purchase of intangible assets	**-108,260,647.48**	-11,157,673.48
Purchase of other plant, property and equipment	**-8,743,175.40**	-9,320,507.80
Proceeds from sale of subsidiaries and other shares	**112,026,980.29**	769,613,699.09
Proceeds from sale of other plant, property and equipment and intangible assets	**146,534.23**	3,039,452.21
Change in loan receivables, net (decrease +, increase -)	**-3,208,095.88**	243,002,851.39
Net cash used in investing activities	**-124,498,416.67**	177,294,082.67
Cash flow before financing	**-273,755,566.34**	233,951,741.28
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from non-current interest-bearing liabilities	**0.00**	40,622,992.10
Repayment from non-current interest-bearing liabilities	**-266,577,813.46**	-65,000,000.00
Short-term financing, net (increase +, decrease -)	**546,370,282.26**	-331,868,275.11
Dividends paid	**-72,983,608.32**	-40,971,053.07
Received group contribution	**16,900,238.07**	19,577,000.00
Net cash used in financing activities	**223,709,098.55**	-377,639,336.08
Net increase (+) / decrease (-) in cash and cash equivalents	**-50,046,467.79**	-143,687,594.80
Cash and cash equivalents at end of year	**98,994,145.90**	242,681,740.69
Cash and cash equivalents at beginning of year	**48,947,678.11**	98,994,145.90
Net increase (+) / decrease (-) in cash and cash equivalents	**-50,046,467.79**	-143,687,594.79

NOTES TO KEMIRA OYJ FINANCIAL STATEMENT (FAS)

(EUR)

1. THE PARENT COMPANY'S ACCOUNTING POLICIES FOR THE FINANCIAL STATEMENTS

BASIS OF PREPARATION

The parent company's financial statements have been prepared in compliance with the relevant acts and regulations in force in Finland (FAS). Kemira Group's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and the parent company observes the Group's accounting policies according to FAS whenever, it has been possible. Presented below are principally the accounting policies in which the practice differs from the Group's accounting policies. In other respects, the Group's accounting policies are observed.

PENSION ARRENGEMENTS

The company's pension liabilities are treated as a part of the pension insurance company and as a part of Kemira's own pension foundation. Contributions are based on periodic actuarial calculations and are recognized in the income statement.

SHARE-BASED INCENTIVE SCHEME FOR THE PERSONNEL

The treatment of share-based schemes is described in the Group's accounting policies. In the parent company, share-based payments are recognized as an expense in the amounts of the payments to be made.

EXTRAORDINARY INCOME AND EXPENSES

Extraordinary income and expenses consist of the Group contributions received and given, which are eliminated at the Group level.

INCOME TAXES

The Group's accounting policies are applied to income taxes and deferred tax assets and liabilities to the extent permitted under Finnish GAAP. Deferred tax liability for the depreciation difference is stated in the notes to financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group's accounting policies are applied to property, plant and equipment, and intangible assets.

LEASE

All leasing payments are treated as rental expenses.

FINANCIAL ASSETS, FINANCIAL LIABILITIES AND DERIVATIVE CONTRACTS

All financial assets (including shares) and liabilities are recognized at their acquisition value or their acquisition value less write-downs, with the exception of forward contracts and interest rate swaps, which are measured at their fair value. Changes in the value of those financial assets and liabilities are booked as a credit or charge into income statement under financial income and expenses. Other derivative instruments are recognized when the hedge realizes according to accrual basis of accounting. The Group's derivative instruments are presented in Note 28 in the Consolidated Financial Statements.

COMPARABILITY OF FINANCIAL STATEMENTS

Kemira introduced a new business model in its European companies on January 1, 2011. This has an effect on the comparability of the figures. In the new business model Kemira Oyj acts as a principal company which means that the sales of products and the purchase of raw materials are done in the name of Kemira Oyj. The subsidiaries act as tolling and/or agent companies and they receive tolling and/or agent compensation from these activities. In connection to the business conversion Kemira Oyj paid agreed compensation related to the transferred business and assets (raw material and finished product inventories and certain equipment). Additionally, as part of the new business model there were two contribution in kind arrangements in Finland: the production activities of Oulu (January 1, 2011) and Vaasa (May 1, 2011) were transferred to a Finnish tolling company.

NOTES TO KEMIRA OYJ FINANCIAL STATEMENT (FAS)

(EUR)

2. REVENUE

	2011	2010
Revenue by business segment		
Paper	**523,839,549.75**	80,816,781.80
Municipal & Industrial	**268,093,292.35**	20,173,841.87
Oil & Mining	**137,152,154.09**	9,886,318.81
Intercompany revenue	**222,846,881.41**	114,665,568.18
Other revenue including intercompany	**213,396,169.83**	96,728,724.23
Total	**1,365,328,047.43**	322,271,234.89

Distribution of revenue by geographical segments as a percentage of total revenue		
Finland	**27**	62
Sweden	**8**	4
Other EU countries	**44**	20
Other European countries	**12**	7
North and South America	**3**	2
Asia	**4**	4
Other countries	**2**	1
Total	**100**	100

3. OTHER OPERATING INCOME

	2011	2010
Gain on the sale of property, plant and equipment	**121,659.56**	337,381.18
Gain on the sale of shares	**84,331,750.85**	243,642,482.19
Rent income	**1,359,715.41**	838,681.95
Management fees	**760,362.69**	18,609,425.56
Intercompany service charges and royalties	**-35,617,665.29**	29,014,519.05
Sale of business operations	**0.00**	8,653,874.00
Other income from operations	**6,130,944.60**	5,171,118.59
Total	**57,086,767.82**	306,267,482.52

NOTES TO KEMIRA OYJ FINANCIAL STATEMENT (FAS)

(EUR)

4. COST OF SALES

	2011	2010
Change in inventories of finished goods	**64,302,433.70**	-1,023,651.74
Own work capitalized	**-145,017.50**	-671,422.00
Materials and services		
Materials and supplies		
Purchases during the financial year	**835,814,204.90**	207,944,701.16
Change in inventories of materials and supplies	**18,536,148.53**	1,297,592.57
External services	**64,468,223.08**	1,889,403.38
Total materials and services	**918,818,576.51**	211,131,697.11
Personnel expenses	**49,540,646.28**	66,705,581.37
Rents	**11,968,042.99**	10,792,793.00
Loss on the sales of property, plant and equipment	**3,500.00**	71,366,978.27
Other expenses	**261,521,967.12**	76,878,904.97
Total	**1,306,010,149.10**	435,180,880.98

AUDITORS' FEES AND SERVICES

	2011	2010
KPMG Oy		
Audit fees	**281,178.07**	164,175.48
Tax services	**29,983.15**	24,627.50
Other services	**20,473.86**	85,132.19

Fees and services paid to auditing companies other than KPMG Oy amounting to EUR 1.1 million (EUR 2.6 million) were mainly for consultation, not for statutory audit.

Own work capitalized comprises mainly from wages, salaries and other personnel expenses related to purchases of property, plant and equipment, and materials and supplies taken from inventories.

In 2011, costs included a net decrease in obligatory provisions of EUR -3.5 million (Personnel expenses EUR +0.1 million, Rents EUR -0.7 million and Other expenses EUR -2.9 million), and in 2010, costs included a net decrease in obligatory provisions of EUR -3.3 million (Personnel expenses EUR -0.4 million, Rents EUR -0.7 million and Other expenses EUR -2.2 million).

NOTES TO KEMIRA OYJ FINANCIAL STATEMENT (FAS)

(EUR)

5. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

	2011	2010
Emoluments of the Board of Directors, the CEO and his deputy 1)	**2,311,245.72**	2,540,112.82
Other wages and salaries	**39,043,652.16**	54,567,415.74
Pension expenses	**6,486,258.66**	8,331,688.05
Other personnel expenses	**1,699,489.74**	1,266,364.76
Total	**49,540,646.28**	66,705,581.37

[1)] The emolument of Kemira Oyj's CEO was EUR 1,409,719 (1,568,080) including bonuses of EUR 754,267 (912,628). The emolument of Kemira Oyj's deputy CEO was EUR 513,847 (554,433) including bonuses of EUR 276,320 (314,412).

Other transactions between related parties are presented in Note 32 in the notes to Consolidated Financial Statements.

	2011	2010
Personnel at the end of the year		
Paper	**310**	385
Municipal & Industrial	**119**	113
Oil & Mining	**38**	47
Other	**173**	273
Total	**640**	818
Personnel, average	**658**	815

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

	2011	2010
Depreciation according to plan and impairments		
Intangible assets		
Amortization of intangible rights	**2,130,560.43**	1,346,536.51
Impairment of Intangible rights	**322,277.57**	0.00
Depreciation of goodwill	**0.00**	394,790.27
Amortization of other intangible assets	**20,500,799.09**	4,726,186.55
Impairment of other intangible assets	**144,640.45**	0.00
Property, plant and equipment		
Depreciation of buildings and constructions	**946,453.32**	5,464,929.53
Impairment of buildings and constructions	**1,274,891.50**	0.00
Depreciation of machinery and equipment	**3,856,925.32**	21,971,857.33
Impairment of machinery and equipment	**474,915.93**	0.00
Depreciation of other property, plant and equipment	**27,296.97**	149,001.76
Total	**29,678,760.58**	34,053,301.95
Change in difference between scheduled and actual depreciation (+ increase/ - decrease)		
Intangible rights	**265,104.96**	-8,564.81
Goodwill	**0.00**	-394,790.27
Other intangible assets	**484,618.11**	12,224.44
Buildings and constructions	**-480,463.10**	-1,008,642.20
Machinery and equipment	**-1,528,116.27**	-1,515,723.96
Other property, plant and equipment	**-6,591.86**	-46,444.90
Total	**-1,265,448.16**	-2,961,941.70

NOTES TO KEMIRA OYJ FINANCIAL STATEMENT (FAS)

(EUR)

7. FINANCE INCOME AND EXPENSES

	2011	2010
Finance income		
Dividend income		
From the Group companies	**117,832,025.02**	60,950,212.98
From others	**1,272,220.00**	119,030.00
Total dividend income	**119,104,245.02**	61,069,242.98
Interest income		
From non-current investments from the Group companies	**5,058,378.48**	4,998,164.71
From current investments from the Group companies	**732,350.88**	2,661,421.86
From non-current investments from others	**76,470.36**	0.00
From current investments from others	**7,048,005.15**	3,593,308.13
Total interest income	**12,915,204.87**	11,252,894.70
Other finance income		
Other finance income from the Group companies	**526,764.24**	570,771.72
Other finance income from others	**837,176.91**	9,014.43
Total other financial income	**1,363,941.15**	579,786.15
Exchange gains		
Exchange gains from the Group companies	**204,665,663.72**	77,286,727.62
Exchange gains from others	**122,330,303.81**	110,171,991.89
Total exchange gains	**326,995,967.53**	187,458,719.51
Total finance income	**460,379,358.57**	260,360,643.34
Finance expenses		
Interest expenses		
Interest expenses to the Group companies	**-14,441,524.68**	-12,543,957.92
Interest expenses to others	**-20,167,295.35**	-17,870,888.44
Total interest expenses	**-34,608,820.03**	-30,414,846.36
Other finance expenses		
Other finance expenses from the Group companies	**-6,029,679.02**	0.00
Other finance expenses from others	**-4,255,444.58**	-14,626,683.20
Total other finance expenses	**-10,285,123.60**	-14,626,683.20
Exchange losses		
Exchange losses from the Group companies	**-202,427,829.77**	-93,278,459.05
Exchange losses from others	**-122,559,311.79**	-110,171,221.95
Total exchange losses	**-324,987,141.56**	-203,449,681.00
Total finance expenses	**-369,881,085.19**	-248,491,210.56
Total finance income and expenses	**90,498,273.38**	11,869,432.78
Exchange gains and losses		
Realized	**5,583,141.85**	-11,794,991.01
Unrealized	**-7,591,967.82**	27,785,952.50
Total	**-2,008,825.97**	15,990,961.49

In 2011, other finance expenses from the Group companies include impairment of subsidiary shares of EUR 6.0 million. In 2010, other finance expenses from others include asset transfer tax of EUR 9.6 million and other dividend - related costs of EUR 2.7 million.

NOTES TO KEMIRA OYJ FINANCIAL STATEMENT (FAS)

(EUR)

8. EXTRAORDINARY ITEMS

	2011	2010
Extraordinary income		
Group contributions received	**68,194,000.00**	16,900,238.07
Total	**68,194,000.00**	16,900,238.07
Total extraordinary income and expenses	**68,194,000.00**	16,900,238.07

9. INCOME TAXES

	2011	2010
Income taxes, previous years	**244,921.02**	-602,935.66
Deferred taxes	**-1,061,714.53**	-2,792,829.65
Other taxes	**1,901,583.85**	78,510.12
Total	**1,084,790.34**	-3,317,255.19

NOTES TO KEMIRA OYJ FINANCIAL STATEMENT (FAS)

(EUR)

10. INTANGIBLE ASSETS

2011	Intangible rights	Goodwill	Prepayments	Other intangible assets	2011 total
Acquisition cost at beginning of year	15,179,576.91	6,181,419.27	15,079,346.91	70,224,715.61	**106,665,058.70**
Additions	3,464,299.91	0.00	4,083,241.63	100,647,614.76	**108,195,156.30**
Decreases	-105,862.77	0.00	0.00	-1,243,833.96	**-1,349,696.73**
Business transfers	4,762,940.17	0.00	-13,288,591.28	8,591,142.29	**65,491.18**
Acquisition cost at end of year	23,300,954.22	6,181,419.27	5,873,997.26	178,219,638.70	**213,576,009.45**
Accumulated amortization at beginning of year	-7,303,622.28	-6,181,419.27	0.00	-47,423,749.29	-60,908,790.84
Accumulated amortization relating to decreases and transfers	97,292.36	0.00	0.00	1,227,529.70	**1,324,822.06**
Amortization and impairments during the financial year	-2,452,838.00	0.00	0.00	-20,645,439.54	**-23,098,277.54**
Accumulated amortization at end of year	-9,659,167.92	-6,181,419.27	0.00	-66,841,659.13	**-82,682,246.32**
Net book value at end of year	13,641,786.30	0.00	5,873,997.26	111,377,979.57	**130,893,763.13**

2010	Intangible rights	Goodwill	Prepayments	Other intangible assets	2010 total
Acquisition cost at beginning of year	13,474,543.68	6,181,419.27	5,626,706.66	70,224,715.61	95,507,385.22
Additions	1,184,991.45	0.00	9,972,682.03	0.00	11,157,673.48
Decreases	0.00	0.00	0.00	0.00	0.00
Business transfers	520,041.78	0.00	-520,041.78	0.00	0.00
Acquisition cost at end of year	15,179,576.91	6,181,419.27	15,079,346.91	70,224,715.61	106,665,058.70
Accumulated amortization at beginning of year	-5,957,085.77	-5,786,629.00	0.00	-42,697,562.74	-54,441,277.51
Accumulated amortization relating to decreases and transfers	0.00	0.00	0.00	0.00	0.00
Amortization and impairments during the financial year	-1,346,536.51	-394,790.27	0.00	-4,726,186.55	-6,467,513.33
Accumulated amortization at end of year	-7,303,622.28	-6,181,419.27	0.00	-47,423,749.29	-60,908,790.84
Net book value at end of year	7,875,954.63	0.00	15,079,346.91	22,800,966.32	45,756,267.86

NOTES TO KEMIRA OYJ FINANCIAL STATEMENT (FAS)

(EUR)

11. PROPERTY, PLANT AND EQUIPMENT

2011	Land and water areas	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Advances paid and non-current assets under construction	Total 2011
Acquisition cost at beginning of year	413,551.22	54,068,497.30	222,411,900.89	3,758,717.20	4,801,272.16	**285,453,938.77**
Increases	0.00	88,492.54	4,633,190.23	14,500.00	3,221,894.81	**7,958,077.58**
Decreases	0.00	-29,003,509.87	-149,799,425.29	-3,211,062.72	-2,750,975.05	**-184,764,972.93**
Business transfers	0.00	129,697.50	2,280,756.62	19,061.86	-2,494,997.16	**-65,481.18**
Acquisition cost at end of year	413,551.22	25,283,177.47	79,526,422.45	581,216.34	2,777,194.76	**108,581,562.24**
Accumulated depreciation at beginning of year	0.00	-34,447,292.08	-171,123,577.87	-2,278,819.78		**-207,849,689.73**
Accumulated depreciation relating to decreases and transfers	0.00	19,359,588.53	109,417,536.68	1,895,969.28	0.00	**130,673,094.49**
Depreciation and impairments during the financial year	0.00	-2,221,344.82	-4,331,841.25	-27,296.97	0.00	**-6,580,483.04**
Accumulated depreciation at end of year	0.00	-17,309,048.37	-66,037,882.44	-410,147.47	0.00	**-83,757,078.28**
Net book value at end of year	413,551.22	7,974,129.10	13,488,540.01	171,068.87	2,777,194.76	**24,824,483.96**

2010	Land and water areas	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Advances paid and non-current assets under construction	Total 2010
Acquisition cost at beginning of year	400,739.14	54,059,581.16	224,324,012.59	3,849,562.06	4,614,145.89	287,248,040.84
Increases	28,994.33	661,301.53	4,630,600.72	70,441.67	3,929,169.55	9,320,507.80
Decreases	-16,182.25	-1,501,488.19	-9,435,652.90	-161,286.53	0.00	-11,114,609.87
Business transfers	0.00	849,102.80	2,892,940.48	0.00	-3,742,043.28	0.00
Acquisition cost at end of year	413,551.22	54,068,497.30	222,411,900.89	3,758,717.20	4,801,272.16	285,453,938.77
Accumulated depreciation at beginning of year	0.00	-29,224,513.35	-157,244,895.96	-2,207,030.64	0.00	-188,676,439.95
Accumulated depreciation relating to decreases and transfers	0.00	242,150.80	8,093,175.42	77,212.62	0.00	8,412,538.84
Depreciation and impairments during the financial year	0.00	-5,464,929.53	-21,971,857.33	-149,001.76	0.00	-27,585,788.62
Accumulated depreciation at end of year	0.00	-34,447,292.08	-171,123,577.87	-2,278,819.78	0.00	-207,849,689.73
Net book value at end of year	413,551.22	19,621,205.22	51,288,323.02	1,479,897.42	4,801,272.16	77,604,249.04

NOTES TO KEMIRA OYJ FINANCIAL STATEMENT (FAS)

(EUR)

12. INVESTMENTS

2011	**Group company shares**	**Investments in associated companies**	**Other shares**	**Total 2011**
Book value at beginning of year	1,530,957,983.76	137,519,988.91	47,818,079.97	**1,716,296,052.64**
Increases	80,576,696.61	0.00	102,859,784.15	**183,436,480.76**
Decreases and transfers	-1,165,914.23	-11,700,000.00	-14,829,315.21	**-27,695,229.44**
Impairments	-6,017,005.41	0.00	0.00	**-6,017,005.41**
Net book value at end of year	1,604,351,760.73	125,819,988.91	135,848,548.91	**1,866,020,298.55**

2010	Group company shares	Investments in associated companies	Other shares	Total 2010
Book value at beginning of year	1,344,892,794.10	137,528,088.91	32,691,858.53	1,515,112,741.54
Increases	817,505,738.74	0.00	378,000.00	817,883,738.74
Decreases and transfers	-631,440,549.08	-8,100.00	14,748,221.44	-616,700,427.64
Impairments	0.00	0.00	0.00	0.00
Net book value at end of year	1,530,957,983.76	137,519,988.91	47,818,079.97	1,716,296,052.64

Associated companies are disclosed in Note 8 in the Notes to Consolidated Financial Statements.

NOTES TO KEMIRA OYJ FINANCIAL STATEMENT (FAS)

(EUR)

13. INVENTORIES

	2011	2010
Raw materials and supplies	**26,865,434.17**	8,329,285.64
Finished goods	**76,063,091.40**	11,760,657.70
Advances paid	**2,224,913.14**	0.00
Total	**105,153,438.71**	20,089,943.34

14. RECEIVABLES

	2011	2010
Non-current receivables		
Interest-bearing non-current receivables		
Loan receivables		
Loan receivables from the Group companies	**96,794,330.09**	96,686,837.65
Loan receivables from others	**2,038,888.91**	0.00
Total interest-bearing non-current receivables	**98,833,219.00**	96,686,837.65
Interest-free non-current receivables		
Deferred taxes	**16,506,643.06**	15,444,928.53
Total interest-free non-current receivables	**16,506,643.06**	15,444,928.53
Total non-current receivables	**115,339,862.06**	112,131,766.18
Current receivables		
Interest-bearing current receivables		
Loan receivables from the Group companies	**123,200,778.97**	15,749,987.00
Total interest-bearing current receivables	**123,200,778.97**	15,749,987.00
Interest-free current receivables		
Advances paid		
Advances paid to the Group companies	**20,160,491.02**	0.00
Advances paid to others	**189,441.66**	0.00
Trade receivables		
Trade receivables from the Group companies	**34,666,438.68**	14,989,306.96
Trade receivables from others	**141,128,813.37**	18,111,606.16
Total trade receivables	**175,795,252.05**	33,100,913.12
Accrued income		
Accrued income from the Group companies	**75,901,190.95**	20,481,480.70
Accrued income from others	**14,791,539.02**	24,671,968.60
Total accrued income	**90,692,729.97**	45,153,449.30
Other short-term interest-free receivables		
Other receivables from the Group companies	**3,823.41**	0.00
Other receivables from others	**32,870,511.17**	324,324.24
Total other interest-free current receivables	**32,874,334.58**	324,324.24
Total interest-free current receivables	**319,712,249.28**	78,578,686.66
Total current receivables	**442,913,028.25**	94,328,673.66
Total receivables	**558,252,890.31**	206,460,439.84

	2011	2010
Accrued income		
From interests	**3,304,498.56**	2,984,312.24
From taxes	**515,821.87**	1,177,611.27
From exchange differences	**9,627,059.72**	12,367,377.96
From the Group contribution	**68,194,000.00**	16,900,238.07
Other	**9,051,349.82**	11,723,909.76
Total	**90,692,729.97**	45,153,449.30

NOTES TO KEMIRA OYJ FINANCIAL STATEMENT (FAS)

(EUR)

15. MONEY-MARKET INVESTMENTS - CASH EQUIVALENTS

	2011	2010
Money-market investments		
Carrying amount at end of year	**43,138,493.86**	37,838,785.38
Fair value	**43,159,457.66**	37,845,619.32
Difference	**-20,963.80**	-6,833.94

16. EQUITY

	2011	2010
Restricted equity		
Share capital at beginning of year	**221,761,727.69**	221,761,727.69
Share capital at end of year	**221,761,727.69**	221,761,727.69
Share premium account at beginning of year	**257,877,731.94**	257,877,731.94
Share premium account at end of year	**257,877,731.94**	257,877,731.94
Total restricted equity	**479,639,459.63**	479,639,459.63
Unrestricted capital		
Reserve for unrestricted capital invested at beginning of year	**199,963,876.20**	199,963,876.20
Reserve for unrestricted capital invested at end of year	**199,963,876.20**	199,963,876.20
Retained earnings at beginning of year [1)]	**258,512,200.42**	194,200,301.38
Net profit for the year	**245,598,836.77**	194,353,402.22
Dividends paid	**-72,983,608.32**	-40,971,053.07
Share-based incentive plan:		
Share-based incentive plan, shares given	**2,272,256.68**	1,720,998.86
Share-based incentive plan, shares returned	**-235,262.08**	-62,238.23
Tikkurila shares as dividend	**0.00**	-90,729,210.74
Retained earnings and net profit for the year at end of year	**433,164,423.47**	258,512,200.42
Total unrestricted equity	**633,128,299.67**	458,476,076.62
Total equity at end of year	**1,112,767,759.30**	938,115,536.25

[1)] The company owns 3,312,660 treasury shares, the acquisition value of which totals EUR 22,298,705.88

Change in treasury shares	EUR	Number of shares
Acquisition value/number at beginning of year	**24,281,133.48**	3,607,162
Change	**-1,982,427.60**	-294,502
Acquisition value/number at end of year	**22,298,705.88**	3,312,660

NOTES TO KEMIRA OYJ FINANCIAL STATEMENT (FAS)

(EUR)

17. APPROPRIATIONS

	2011	2010
Appropriations		
Appropriations in the balance sheets are as follows:		
Buildings and constructions	**2,800,899.93**	3,075,016.74
Machinery and equipment	**6,723,918.80**	27,256,277.50
Other property, plant and equipment	**34,094.36**	434,004.05
Intangible rights	**523,628.87**	253,826.04
Other non-current expenditures	**2,553,069.87**	2,068,759.20
Total	**12,635,611.83**	33,087,883.53
Change in appropriations		
Appropriations at Jan. 1	**33,087,883.53**	36,061,190.83
Business transfers	**-19,186,823.54**	-11,365.60
Change in untaxed reserves in income statement	**-1,265,448.16**	-2,961,941.70
Appropriations at end of year	**12,635,611.83**	33,087,883.53

Deferred tax liabilities on accumulated depreciations were EUR 3.1 million Dec. 31, 2011 and EUR 8.6 million Dec. 31, 2010.

18. OBLIGATORY PROVISIONS

	2011	2010
Non-current provisions		
Pension provision	**6,132,694.00**	6,287,880.00
Other obligatory provisions		
Environmental and damage provision	**8,792,651.84**	11,710,105.65
Other provisions	**23,786,130.40**	24,468,928.26
Total other obligatory provisions	**32,578,782.24**	36,179,033.91
Total non-current provisions	**38,711,476.24**	42,466,913.91
Current provisions		
Other obligatory provisions		
Other provisions	**1,513,147.83**	1,388,492.22
Total current provisions	**1,513,147.83**	1,388,492.22
Total provisions	**40,224,624.07**	43,855,406.13
Change in provisions		
Obligatory provisions at Jan. 1	**43,855,406.37**	47,148,812.50
Decrease of provisions during year	**-3,887,172.30**	-4,174,406.13
Increase during financial year	**256,390.00**	881,000.00
Obligatory provisions at end of year	**40,224,624.07**	43,855,406.37

NOTES TO KEMIRA OYJ FINANCIAL STATEMENT (FAS)

(EUR)

19. NON-CURRENT INTEREST-BEARING LIABILITIES

	2011	2010
Loans from financial institutions	**259,175,027.89**	281,823,893.14
Loans from pension institutions	**0.00**	9,774,969.06
Other non-current liabilities	**0.00**	234,153,979.15
Total	**259,175,027.89**	525,752,841.35
Long-term interest-bearing liabilities maturing in		
2013 (2012)	**28,371,140.51**	258,695,963.88
2014 (2013)	**32,828,446.95**	28,986,429.17
2015 (2014)	**82,828,446.95**	33,430,873.50
2016 (2015) or later	**115,146,993.48**	204,639,574.94
Total	**259,175,027.89**	525,752,841.49
Interest-bearing liabilities maturing in 5 years or more		
Loans from financial institutions	**115,146,993.48**	195,564,575.00
Pension loans	**0.00**	9,075,000.00
Total	**115,146,993.48**	204,639,575.00

The company does not have debentures or other bond loans.

NOTES TO KEMIRA OYJ FINANCIAL STATEMENT (FAS)

(EUR)

20. CURRENT LIABILITIES

	2011	2010
Interest-bearing current liabilities		
Loans from financial institutions	**24,853,929.97**	90,811,294.86
Loans from pension institutions, installments	**0.00**	0.00
Current portion of other non-current loans to others	**16,224,999.69**	15,545,530.85
Other interest-bearing current liabilities		
to the Group companies	**877,263,071.50**	427,401,033.01
to others	**165,997,329.05**	4,211,189.23
Total interest-bearing current liabilities	**1,084,339,330.21**	537,969,047.95
Interest-free current liabilities		
Prepayments received		
Prepayments received from the Group companies	**165,268.76**	0.00
Prepayments received from others	**1,248,356.06**	201,847.88
Trade payables		
to the Group companies	**45,378,049.13**	19,144,918.18
to others	**95,640,621.25**	16,339,165.38
Total trade payables	**141,018,670.38**	35,484,083.56
Accrued expenses		
to the Group companies	**8,140,095.61**	6,484,377.07
to others	**68,942,892.02**	40,871,268.98
Total accrued expenses	**77,082,987.63**	47,355,646.05
Total other interest-free liabilities	**5,434,916.64**	3,378,805.75
Total interest-free current liabilities	**224,950,199.47**	86,420,383.24
Total current liabilities	**1,309,289,529.68**	624,389,431.19
Accrued expenses		
From salaries	**8,464,210.29**	14,250,240.11
From interests and exchange differences	**16,524,252.07**	16,718,601.22
Other	**52,094,525.27**	16,386,804.72
Total	**77,082,987.63**	47,355,646.05

NOTES TO KEMIRA OYJ FINANCIAL STATEMENT (FAS)

(EUR)

21. COLLATERAL AND CONTINGENT LIABILITIES

	2011	2010
Loans secured by mortgages in the Balance Sheet and		
for which mortgages given as collateral		
Loans from pension institutions	**0.00**	9,774,969.06
Other loans	**0.00**	285,736.57
Total	**0.00**	10,060,705.63
Mortgages given	**0.00**	13,011,745.00
Guarantees		
On behalf of the Group companies		
for loans	**650,562,081.00**	765,319,760.00
for other obligations	**48,902,876.00**	44,905,031.00
On behalf of others	**3,069,936.00**	4,088,849.00
Total	**702,534,893.00**	814,313,640.00
Leasing liabilities		
Maturity within one year	**5,467,371.00**	8,496,444.00
Maturity after one year	**27,972,536.00**	81,279,532.00
Total	**33,439,907.00**	89,775,976.00

Environmental risks and liabilities are disclosed in Note 31 in the Notes to Consolidated Financial Statements.

NOTES TO KEMIRA OYJ FINANCIAL STATEMENT (FAS)

(EUR)

22. SHARES AND HOLDINGS OF KEMIRA OYJ

Shares in subsidiaries	Group holding %	Kemira Oyj holding %
AS Kemivesi	100.00	100.00
Kemira Asia Pacific Pte. Ltd.	100.00	100.00
Kemira Argentina S.A.	100.00	15.80
Kemira Cell Spolka z.o.o.	55.00	55.00
Kemira Chemicals (Nanjing) Co.,Ltd.	100.00	100.00
Kemira Chemicals (Shanghai) Co.,Ltd	100.00	100.00
Kemira Chemicals (UK) Ltd	100.00	100.00
Kemira Chemicals Brasil Ltda	100.00	100.00
Kemira Chemicals Canada Inc.	100.00	100.00
Kemira Europe Oy (former Kemira Chemicals Holding Oy)	100.00	100.00
Kemira Chemicals India Private Ltd.	100.00	100.00
Kemira Chemie Ges.mbH	100.00	100.00
Kemira Chile Comercial Limitada	100.00	99.00
Kemira Chimica Spa	100.00	100.00
Kemira de Mexico S.A. de C.V.	100.00	100.00
Kemira Germany GmbH	100.00	100.00
Kemira GrowHow A/S	100.00	100.00
Kemira GrowHow SCC B.V.	100.00	100.00
Kemira Korea Corporation	100.00	100.00
Kemira KTM d.o.o.	100.00	100.00
Kemira Nederland Holding B.V.	100.00	100.00
Kemira Operon Oy	100.00	100.00
Kemira Specialty Crop Care S.A.	100.00	100.00
Kemira-Swiecie sp.z.o.o.	100.00	100.00
Kemira Tiancheng Chemicals (Yanzhou) Co.,Ltd.	100.00	100.00
Kemira Water Danmark A/S	100.00	100.00
Kemira Water Solutions Brasil	100.00	100.00
Kemwater Cristal S.A.	78.45	78.45
PT Kemira Indonesia	100.00	75.00
Spruce Vakuutus Oy	100.00	100.00
Shares in associated companies		
Kemwater Phil. Corp.	40	40
Sachtleben GmbH	39	39
White Pigment LLC	39	39

BOARD PROPOSAL FOR PROFIT DISTRIBUTION

On December 31, 2011, Kemira Oyj's distributable funds totaled EUR 633,128,300 of which net profit for the period accounted for EUR 245,598,837.

No material changes have taken place in the company's financial position after the balance sheet date.

The Board proposes to the Annual General Meeting that distributable funds would be allocated as follows:

- Distributing a per-share dividend of EUR 0.53 for the financial year, or a total of EUR 80,575,845.
- Retaining EUR 552,552,455 under unrestricted equity.

Helsinki, February 8, 2012

Pekka Paasikivi

Jukka Viinanen

Elizabeth Armstrong

Wolfgang Büchele

Winnie Fok

Juha Laaksonen

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This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

AUDITOR'S REPORT

To the Annual General Meeting of Kemira Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Kemira Oyj for the year ended December 31, 2011. The financial statements comprise the consolidated statement of financial position, consolidate income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the members of the Board of Directors of the parent company and the President and CEO be discharged from liability for the financial period audited by us.

Helsinki, February 7, 2012

KPMG OY AB

(signed)
Pekka Pajamo
Authorized Public Accountant

QUARTERLY EARNINGS PERFORMANCE

(EUR million)

(The figures are unaudited)

CONTINUING OPERATIONS	1-3	4-6	7-9	10-12	2011 Total	1-3	4-6	7-9	10-12	2010 Total
Revenue										
Paper	**253.2**	**242.2**	**243.4**	**234.5**	**973.3**	234.0	247.4	259.9	243.0	984.3
Municipal & Industrial	**157.8**	**166.6**	**173.7**	**166.6**	**664.7**	148.4	163.7	164.0	167.5	643.6
Oil & Mining	**83.7**	**84.8**	**87.2**	**80.0**	**335.7**	66.6	78.1	80.2	72.6	297.5
Other	**62.1**	**55.2**	**54.0**	**62.2**	**233.5**	65.7	56.0	50.3	63.5	235.5
Total	**556.8**	**548.8**	**558.3**	**543.3**	**2,207.2**	514.7	545.2	554.4	546.6	2,160.9
Operating profit										
Paper	**22.7**	**20.0**	**18.5**	**18.3**	**79.5**	15.2	21.0	24.0	8.2	68.4
Municipal & Industrial	**11.6**	**10.9**	**15.4**	**5.8**	**43.7**	14.6	14.8	14.5	11.9	55.8
Oil & Mining	**9.4**	**8.1**	**10.2**	**7.2**	**34.9**	6.4	10.3	8.8	6.4	31.9
Other including eliminations	**1.2**	**-1.7**	**-3.3**	**4.0**	**0.2**	2.2	-1.6	-1.3	0.7	0.0
Total	**44.9**	**37.3**	**40.8**	**35.3**	**158.3**	38.4	44.5	46.0	27.2	156.1
Finance costs, net	**-3.8**	**-3.9**	**-7.7**	**-5.5**	**-20.9**	-7.9	-9.8	-3.0	-6.7	-27.4
Share of profit or loss of associates	**7.5**	**7.3**	**9.0**	**7.2**	**31.0**	1.2	2.6	3.0	2.4	9.2
Profit before tax	**48.6**	**40.7**	**42.1**	**37.0**	**168.4**	31.7	37.3	46.0	22.9	137.9
Income tax expense	**-10.7**	**-9.0**	**-9.2**	**0.8**	**-28.1**	-4.0	-10.0	-10.2	2.2	-22.0
Net profit for the period from continuing operations	**37.9**	**31.7**	**32.9**	**37.8**	**140.3**	27.7	27.3	35.8	25.1	115.9
DISCONTINUED OPERATIONS										
Net profit for the period, discontinued operations	**-**	**-**	**-**	**-**	**-**	531.0	-	-	-	531.0
Net profit for the period	**37.9**	**31.7**	**32.9**	**37.8**	**140.3**	558.7	27.3	35.8	25.1	646.9
Attributable to, continuing operations										
Equity holders of the parent	**36.6**	**30.7**	**31.5**	**36.8**	**135.6**	26.8	25.9	34.5	23.7	110.9
Non-controlling interests	**1.3**	**1.0**	**1.4**	**1.0**	**4.7**	0.9	1.4	1.3	1.4	5.0
Net profit for the period from continuing operations	**37.9**	**31.7**	**32.9**	**37.8**	**140.3**	27.7	27.3	35.8	25.1	115.9
Earnings per share, continuing operations basic and diluted, EUR	**0.24**	**0.20**	**0.21**	**0.24**	**0.89**	0.18	0.17	0.23	0.15	0.73
Earnings per share, basic and diluted, EUR	**0.24**	**0.20**	**0.21**	**0.24**	**0.89**	3.68	0.17	0.23	0.15	4.23
Capital employed, rolling					**1,705.0**					1,665.1
Return on capital employed (ROCE), %					**11.1%**					9.9%