Financial Statements 2012

Kemira

Financial statements 2012

BOARD OF DIRECTORS' REVIEW 2012 2

GROUP KEY FIGURES 16

DEFINITIONS OF KEY FIGURES 19

CONSOLIDATED FINANCIAL STATEMENTS 20
- Consolidated Income Statement (IFRS) 20
- Consolidated Statement of Comprehensive Income (IFRS) 21
- Consolidated Balance Sheet (IFRS) 22
- Consolidated Statement of Cash Flow (IFRS) 23
- Consolidated Statement of Changes in Equity (IFRS) 24
- Notes to the Consolidated Financial Statements 25
  1. THE GROUP'S ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS 25
  2. SEGMENT INFORMATION 33
  3. OTHER OPERATING INCOME 37
  4. OPERATING EXPENSES 37
  5. SHARE-BASED PAYMENTS 39
  6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT 40
  7. FINANCE INCOME AND EXPENSES 41
  8. INVESTMENTS IN ASSOCIATES 42
  9. INCOME TAXES 43
  10. EARNINGS PER SHARE 44
  11. GOODWILL 44
  12. OTHER INTANGIBLE ASSETS 47
  13. PROPERTY, PLANT AND EQUIPMENT 48
  14. AVAILABLE-FOR-SALE FINANCIAL ASSETS 49
  15. CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORIES 50
  16. INVENTORIES 52
  17. RECEIVABLES 53
  18. NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE 53
  19. CAPITAL AND RESERVES 54
  20. INTEREST-BEARING LIABLITIES 56
  21. FINANCE LEASE LIABILITIES 57
  22. DEFERRED TAX ASSETS AND LIABILITIES 58
  23. PENSION OBLIGATIONS 60
  24. PROVISIONS 62
  25. TRADE PAYABLES AND OTHER CURRENT LIABILITIES 63
  26. SUPPLEMENTARY CASH FLOW INFORMATION 63
  27. TRANSACTIONS WITH NON-CONTROLLING INTERESTS 64
  28. DERIVATIVE INSTRUMENTS 64
  29. MANAGEMENT OF FINANCIAL RISKS 66
  30. COMMITMENTS AND CONTINGENT LIABILITIES 72
  31. ENVIRONMENTAL RISKS AND LIABILITIES 73
  32. RELATED-PARTY TRANSACTIONS 74
  33. CHANGES IN GROUP STRUCTURE 75
  34. GROUP COMPANIES 76
  35. EVENTS AFTER THE BALANCE SHEET DATE 77

KEMIRA OYJ FINANCIAL STATEMENTS 78
- Kemira Oyj Income Statement (FAS) 78
- Kemira Oyj Balance Sheet (FAS) 79
- Kemira Oyj Cash Flow Statement (FAS) 80
- Notes to the Kemira Oyj Financial Statements 81
  1. THE PARENT COMPANY`S ACCOUNTING POLICIES FOR THE FINANCIAL STATEMENTS 81
  2. REVENUE 82
  3. OTHER OPERATING INCOME 82
  4. COST OF SALES 82
  5. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL 83
  6. DEPRECIATION, AMORTIZATION AND IMPAIRMENTS 84
  7. FINANCE INCOME AND EXPENSES 84
  8. EXTRAORDINARY ITEMS 85
  9. INCOME TAXES 85
  10. INTANGIBLE ASSETS 86
  11. PROPERTY, PLANT AND EQUIPMENT 87
  12. INVESTMENTS 88
  13. INVENTORIES 88
  14. RECEIVABLES 89
  15. MONEY-MARKET INVESTMENTS – CASH EQUIVALENTS 90
  16. EQUITY 90
  17. APPROPRIATIONS 91
  18. OBLIGATORY PROVISIONS 91
  19. NON-CURRENT INTEREST-BEARING LIABILITIES 92
  20. CURRENT LIABILITIES 93
  21. COLLATERAL AND CONTINGENT LIABILITIES 94
  22. SHARES AND HOLDINGS OF KEMIRA OYJ 95

SHARES AND SHAREHOLDERS 96

BOARD PROPOSAL FOR PROFIT DISTRIBUTION 99

AUDITOR'S REPORT 100

QUARTERLY EARNINGS PERFORMANCE 101

INFORMATION FOR INVESTORS 102

Board of Directors' Review 2012

Revenue in 2012 increased 2% to EUR 2,240.9 million (2011: EUR 2,207.2 million) supported by favorable currency exchange. Revenues in local currencies and excluding acquisitions remained stable. Operative EBIT decreased 2% to EUR 154.1 million (157.3) with a margin of 6.9% (7.1%).

Earnings per share were reduced to EUR 0.11 (0.89). Non-recurring items, related to the "Fit for Growth" restructuring program, to the divestment of Kemira's food and pharmaceuticals businesses and to the streamlining of Kemira's operations had EUR 0.66 negative impact on the EPS. Operative earnings per share decreased 13% to EUR 0.77 (0.89) mainly due to lower net profits of the specialty TiO2 producer JV Sachtleben, of which Kemira owns 39%. The result of JV Sachtleben was negatively impacted by higher raw material cost and a significant slowdown in titanium dioxide demand. 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

EUR million	**Jan–Dec 2012**	Jan–Dec 2011
Revenue	**2,240.9**	2,207.2
EBITDA	**178.5**	259.6
EBITDA, %	**8.0**	11.8
Operative EBIT	**154.1**	157.3
EBIT	**31.7**	158.3
Operative EBIT, %	**6.9**	7.1
EBIT, %	**1.4**	7.2
Share of profit or loss of associates	**11.2**	31.0
Financing income and expenses	**–15.7**	–20.9
Profit before tax	**27.2**	168.4
Net profit	**21.5**	140.3
EPS, EUR	**0.11**	0.89
Operative EPS, EUR	**0.77**	0.89
Capital employed *	**1,673.0**	1,705.0
ROCE, % *	**2.6**	11.1
Cash flow after investing activities	**71.8**	115.3
Capital expenditure	**134.1**	201.1
Equity ratio, % at period-end	**53**	51
Gearing, % at period-end	**40**	38
Personnel at period-end	**4,857**	5,006

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

Definitions of key figures are available at www.kemira.com > Investors > Financial information. Comparative 2011 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 2012

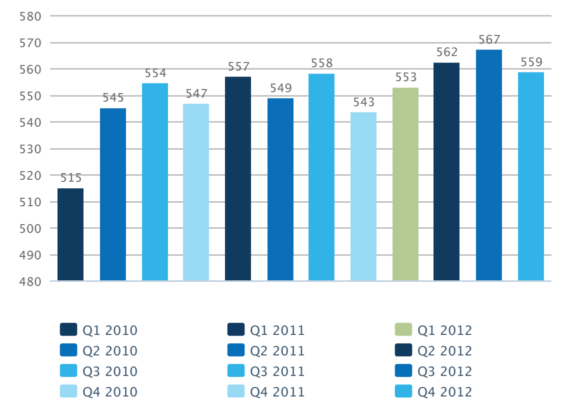
Kemira Group **revenue** increased 2% to EUR 2,240.9 million (2,207.2). Revenues in local currencies and excluding divestments remained stable at the level of 2011. In local currencies, the main positive impact on revenues came from price increases, compensating the corresponding raw material price inflation. Excluding the exit of about EUR 20 million in low margin product sales, sales volumes were close to the level of 2011. Recovered sales volumes, especially with pulp and municipal customers compensated for the decreased sales volumes to the oil & gas and mining customer segments. ChemSolutions sales volumes were close to the level of 2011. The divestments of the hydrogen peroxide plant in Maitland, Canada in November, 2011 and Galvatek in October, 2011 had a negative impact of EUR 23 million on revenues. Most of the main foreign currencies affecting Kemira's financials, such as US dollar, Swedish krona, and Canadian dollar, appreciated against the euro compared to the previous year. Currency exchange had 2% or approximately EUR 50 million positive impact on revenues.

In the Paper segment, revenues increased 3% to EUR 1,002.0 million (973.3). Revenue growth in local currencies and excluding divestments was 2%. Currency exchange impacted revenues by +3% and divestments by –2%.

In the Municipal & Industrial segment, revenues increased 3% to EUR 686.6 million (664.7). Revenue growth was 2% in local currencies and excluding divestments. Currency exchange impacted revenues by +2% and divestments by –1%.

In the Oil & Mining segment, revenues decreased 4% to EUR 321.0 million (335.7). Revenues declined 2% in local currencies, excluding the impact of exited low margin product sales. Exited low margin product sales impacted revenues by –6% and currency exchange impacted revenues by +4%.

Kemira Group revenue, EUR million



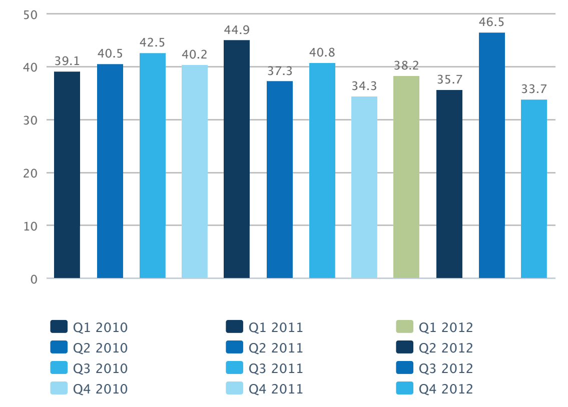
Geographically, the revenue was split as follows: EMEA 55% (57%), North America 31% (30%), South America 8% (7%), and Asia Pacific 6% (6%). Revenues increased 1% (3%) in the mature markets and 9% (0%) in the emerging markets in 2012. Kemira group's mid-term revenue target set in September 2010 is to increase revenues by 3% in the mature markets and by 7% in the emerging markets.

REVENUE

EUR million	**Jan–Dec 2012**	Jan–Dec 2011	Δ%
Paper	**1,002.0**	973.3	3
Municipal & Industrial	**686.6**	664.7	3
Oil & Mining	**321.1**	335.7	–4
Other	**231.2**	233.5	–1
of which ChemSolutions	**186.0**	183.6	1
Eliminations	**–**	–	–
Total	**2,240.9**	2,207.2	2

The EBIT was impacted by non-recurring charges of EUR -122 million (1) and amounted to EUR -31.7 million (158.3). The operative EBIT decreased 2% to EUR 154.1 million (157.3) with a margin of 6.9% (7.1%). In 2008, Kemira set a mid-term target for the operative EBIT margin to be at least 10%. In order to reach the EBIT margin target of 10% in 2014, Kemira launched its "Fit for Growth" restructuring program in July, 2012, targeting at cost savings of EUR 60 million.

Kemira Group operative EBIT, EUR million



"Fit for Growth" cost savings totaled EUR 10 million in 2012, of which EUR 5 million impacted variable costs and EUR 5 million fixed costs. Fixed costs, including the positive impact of "Fit for Growth" were EUR 15 million higher than in 2011 mainly due to higher manufacturing, maintenance and personnel related expenses.

Variable costs were EUR 18 million higher than in 2011, mainly due to higher raw material prices and freight costs. Raw material price inflation was more than offset by corresponding price adjustments.

Lower sales volumes had less than a EUR 10 million negative impact on operative EBIT.

Currency exchange had a positive impact of EUR 5 million on the operative EBIT. In total, divestments and other items had a EUR 5 million negative impact (see variance analysis table).

OPERATIVE EBIT

EUR million	**Jan–Dec 2012**	Jan–Dec 2011	Δ%	Jan–Dec 2012 %-margin	Jan–Dec 2011 %-margin
Paper	**86.2**	75.4	14	8.6	7.7
Municipal & Industrial	**42.3**	46.9	–10	6.2	7.1
Oil & Mining	**37.3**	36.2	3	11.6	10.8
Other	**–11.7**	–1.2	–	–5.1	–0.5
of which ChemSolutions	**14.6**	20.8	–30	7.8	11.3
Total	**154.1**	157.3	–2	6.9	7.1

VARIANCE ANALYSIS

EUR million	Jan–Dec
Operative EBIT, 2011	**157.3**
Sales volumes and prices	29.9
Variable costs	–18.2
Fixed costs	–15.2
Currency impact	5.4
Others, incl. acquisitions and divestments	–5.1
Operative EBIT, 2012	**154.1**

Non-recurring items, mainly relating to the restructuring program "Fit for Growth", affected the EBIT in 2012 by EUR –122 million (1). "Fit for Growth" severance payments and costs related to external services totaled EUR 41 million and asset write-downs EUR 30 million. Other, not "Fit for Growth" related, non-recurring items included the write-down of EUR 18 million from the divestment of Kemira's food and pharmaceutical businesses and charges of EUR 33 million related to environmental liabilities, efficiency improvements, as well as streamlining of Kemira's current operations (see non-recurring items table).

Non-recurring items in 2011 included a capital gain related to the sale of a hydrogen peroxide plant (Paper segment) in Canada, asset write-downs related to the discontinued calcium sulphate business in Finland and site consolidation activities in Spain and North America in Municipal.

NON-RECURRING ITEMS

EUR million	**Jan–Dec 2012**	Jan–Dec 2011
Within EBITDA	**–69.6**	6.4
Paper	**–22.9**	6.3
Municipal & Industrial	**–26.8**	–1.3
Oil & Mining	**–5.1**	–0.2
Other	**–14.8**	1.6
Within Depreciation, amortization and impairment losses	**–52.8**	–5.4
Paper	**–8.1**	–2.2
Municipal & Industrial	**–24.1**	–1.9
Oil & Mining	**–1.9**	–1.1
Other	**–18.7**	–0.2
Total	**–122.4**	1.0

Income from associated companies decreased to EUR 11.2 million (31.0) as a result of lower net profits of the specialty TiO2 producer JV Sachtleben, of which Kemira owns 39%. The result of JV Sachtleben was negatively impacted by a significant slowdown in demand, decreasing titanium dioxide prices in the latter part of 2012, and higher raw material costs.

In June, 2012 Kemira Oyj's and Rockwood Holdings Inc.'s titanium dioxide joint venture Sachtleben GmbH completed the re-financing with a new facility agreement in the aggregate amount of EUR 430 million. The proceeds of the facility have been used to repay the outstanding balance of the existing facility agreement, pay a dividend to the joint venture partners and for other corporate purposes. The facility has a maturity of five years. Also in June, 2012, Sachtleben GmbH reached an agreement to acquire the TiO2 production assets and inventory of crenox GmbH, based in Krefeld, Germany. The acquisition was closed in July, 2012, and added over 100,000 metric tons of TiO2 production, increasing total capacity to approximately 340,000 metric tons.

Financing income and expenses totaled EUR –15.7 million (-20.9). Financing expenses included changes of EUR –2.3 million in fair values of electricity derivatives and dividends of EUR 7.6 million received from PVO in the second quarter of 2012.

Profit before tax decreased to EUR 27.2 million (168.4). Lower financial expenses and lower taxes partly compensated for the lower EBIT and the reduced income from associated companies. The EBIT was lower mainly due to the non-recurring items related to the "Fit for Growth" restructuring program and other non-recurring items.

Taxes were EUR 5.7 million (28.1) and the reported tax rate was 21.0% (16.7%). Non-recurring items affecting the EBIT and higher profits, especially in North America increased the reported tax rate. The tax rate, excluding non-recurring items affecting the EBIT and income from associated companies was 20.6% (20.8%). In addition, changes in deferred tax assets and liabilities had material effects in the total taxes.

Net profit attributable to the owners of the parent company decreased to EUR 16.8 million (135.6) and the earnings per share to EUR 0.11 (0.89). Non-recurring items had EUR 0.66 negative impact on the EPS. Earnings per share, excluding non-recurring items, decreased 13% to EUR 0.77 (0.89).

FINANCIAL POSITION AND CASH FLOW

Cash flow from operating activities in 2012 was EUR 176.3 million (177.7). Cash flow after investing activities and after severance payments decreased 38% to EUR 71.8 million (115.3) mainly due to higher expansion investments related capital expenditure. Cash flow after investing activities included EUR 27 million paid-in-capital from JV Sachtleben. The comparable period in 2011 included a cash flow of EUR 97 million from the sale of Kemira's remaining Tikkurila shares. Net working capital (ratio) was 12.8% of revenue (13.4% on December 31, 2011).

At the end of the period, Kemira Group's net debt was EUR 532.0 million (515.8). Net debt increased due to the dividend payment of EUR 81 million in March 2012 and was largely offset by a positive cash flow.

At the end of the period, interest-bearing liabilities totaled EUR 664.7 million (701.6). Fixed-rate loans accounted for 56% of the net interest-bearing liabilities (58%). The average interest rate of the Group's interest-bearing liabilities was 1.6% (2.0%). The duration of the Group's interest-bearing loan portfolio was 16 months (17 months).

Short-term liabilities maturing in the next 12 months amounted to EUR 277.2 million, of which commercial papers issued on the Finnish market represented EUR 193.6 million and repayments on the long-term loans represented EUR 52.8 million. Cash and cash equivalents totaled EUR 132.7 million on December 31, 2012 (185.8).

At the end of the period, the equity ratio was 53% (51%), while the gearing was 40% (38%). Shareholder's equity decreased to EUR 1,314.8 million (1,370.8).

The Group's most significant transaction currency risk arises from the Swedish krona and the Canadian dollar. At the end of the year, the denominated 12-month exchange rate risk of Swedish krona had an equivalent value of approximately EUR 43 million, 45% of which was hedged on an average basis. Correspondingly, the CAD denominated exchange rate risk was approximately EUR 26 million, 50% of which was hedged on an average basis. In addition, Kemira is exposed to smaller transaction risks in relation to the U.S. dollar, the British pound and the Norwegian krona with the total annual exposure in these currencies being approximately EUR 50 million, 60% of which was hedged on an average basis.

Because Kemira's consolidated financial statements are compiled in euros, Kemira is also a subject to currency translation risk to the extent that the income statement and balance sheet items of subsidiaries located outside Finland are reported in a currency other than euro. The most significant translation exposure derives from the US dollar, the Swedish krona, the Canadian dollar and the 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 (10) on an annual basis through a translation risk.

CAPITAL EXPENDITURE

Capital expenditure decreased 33% to EUR 134.1 million (201.1) in 2012, (expansion capex 44% (17%), improvement capex 29% (40%), and maintenance capex 27% (43%), comparable 2011 %-figures are excluding the acquisition of PVO shares). Expansion investments were mainly focused on China as well as Germany and Spain. The comparable period capital expenditure included EUR 103 million related to acquisitions of PVO shares from Kemira pension fund Neliapila.

In 2012, the Group's depreciation and impairments increased 45% to EUR 146.8 million (101.3), mainly due to "Fit for Growth" related write-downs of EUR 25 million and the write-down of EUR 18 million from the divestment of Kemira's food and pharmaceutical businesses.

RESEARCH AND DEVELOPMENT

Research and development related expenses totaled EUR 38.1 million (36.5) in 2012, representing 1.7% (1.6%) of Kemira Group's revenue. Kemira has four research and development centers in Espoo (Finland), Atlanta (USA), Shanghai (China) and São Paulo (Brazil).

Kemira's research and development is a critical enabler for organic growth and further differentiation. In 2012, Kemira generated EUR 106 million (40) of revenues from new products and new applications. Kemira's definition for a new product and application revenue is revenue generated from products and applications introduced within the past five years. New product launches during 2012 included e.g. antiscalants, friction reducers and biocides improving the efficiency of water and energy usage.

Kemira's four-year R&D program launched in 2010 called SWEET (Center of Water Efficiency and Excellence) progressed in 2012, and most of the projects included in the program are in the development or scale-up phase. Projects are running in all of Kemira's four R&D centers and include new innovations regarding process chemicals and water management for oil & gas, shale gas, bioethanol and biomass. One example of the SWEET innovation is the strength chemistry launched for tissue and board customers. It enables savings in terms of raw materials, but also better strengths with lower material weight. Customers are benefiting from raw material, cost and energy savings. Our ew products and applications have been an important enabler for the double-digit revenue growth rates inthe tissue as well as in the packaging and board customer segments in 2012.

Kemira aims to strengthen its R&D centers' competencies by developing them further into a truly global network, providing the company with a unique strength.

In 2012, Kemira opened a new R&D laboratory in Alberta, Canada in cooperation with the University of Alberta, specializing in oil and gas applications, including reuse and water management in oil sands applications.

Kemira has a strong IP portfolio with 330 patent families and 1,350 patents.

HUMAN RESOURCES

At the end of 2012, Kemira Group had 4,762 permanent employees (2011: 4,846, 2010: 4,814) and 95 temporary employees (2011: 160, 2010: 119). Kemira employed 1,114 people in Finland (1,179), 1,690 people elsewhere in EMEA (1,776), 1,279 in North America (1,384), 423 in South America (398) and 351 in Asia Pacific (269).

Total salaries and wages in 2012 increased to EUR 271.5 million (2011: 235.6, 2010: 251.3) mainly due to severance payments.

SUSTAINABILITY

In 2013, Kemira for the second time will publish an annual Sustainability Report in connection with its Annual Report. The Sustainability Report is verified by a third party and prepared in accordance with the GRI (Global Reporting Initiative) framework. It deals, for example, with Kemira's economic performance, its emissions and effluents, its waste, its environmental costs, its labor and responsible work practices, with safety and product safety, the society, as well as the use of natural resources.

As an update to the first Sustainability report published in 2011, Kemira has more clearly defined its sustainability priorities and targets as part of its sustainability management process. The sustainability targets were approved by the Kemira Management Board in the third quarter of 2012. The targets, Key Performance Indicators (KPI) and planned measures will be discussed in more detail in Kemira's Sustainability Report that will be published as part of the Kemira Annual Report 2012 during the week beginning on February 25.

In 2012, capital expenditure on environmental protection at the company's 71 production sites totaled EUR 3.4 million (EUR 3.6 million) and operating costs were EUR 14.2 million (EUR 12.7 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 19.7 million (14.7). 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.

Kemira did not register any new substances under the new EU chemicals regulation (REACH) in 2012. 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 a major impact on Kemira's financial results, even though the registration costs are expected to accumulate over the next few years. In 2012, the costs of REACH compliance were insignificant and related to improvements in REACH-related management processes and associated IT support.

In 2012 Kemira started reporting Total Recordable Injuries for Kemira employees and contractors (TRI) instead of the LTA1 (accident frequency rating that indicates the number of accidents that cause absences lasting at least one day per one million working hours) for Kemira employees. The TRI Includes LTA, Restricted work cases (RWC) and Medical treatment cases (MTC). For 2012 the TRI frequency for Kemira employees and contractors per million working hours was 8.5. This compares to a chemical industry average of 12 (Source: US department of labor, 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.

The Paper segment's **revenue** increased 3% to EUR 1,002.0 million (973.3). Revenues in local currencies and excluding divestment grew 2% due to the implemented sales price increases and slightly higher sales volumes. Currency exchange impacted revenues by +3% and the divestment of the hydrogen peroxide plant in Maitland, Canada in November 2011 by –2%.

Demand for pulp started to recover in the beginning of the year after some slow down witnessed in the end of 2011. Sales volumes to the pulp customer segment steadily increased during the year. The demand remained at a good level even in the last quarter of 2012 and pulp revenues reached the level of 2011, excluding the hydrogen peroxide divestment. Sales to the packaging and board customers increased over 10% in 2012 driven mainly by growth in sizing chemical sales in Asia Pacific. The demand for printing and writing remained fairly stable globally and due to extensive sales activity, especially in Europe and North America, Kemira's product and application related sales grew some 5% to this customer segment. Sales to the tissue and specialty customer segment increased nearly 20% in 2012. Paper segment sales volumes increased to tissue customers, especially in North America. In 2013, sales to tissue customers are expected to accelerate also in China, Indonesia, South America and in Europe.

PAPER KEY FIGURES

EUR million	**Jan–Dec 2012**	Jan–Dec 2011
Revenue	**1,002.0**	973.3
EBITDA	**106.2**	126.0
EBITDA, %	**10.6**	12.9
Operative EBIT	**86.2**	75.4
EBIT	**55.2**	79.5
Operative EBIT, %	**8.6**	7.7
EBIT, %	**5.5**	8.2
Capital employed *	**759.8**	773.2
ROCE, %*	**7.3**	10.3
Capital expenditure	**66.4**	43.5
Cash flow after investing activities, excluding interest and taxes	**30.6**	90.9

*) 12-month rolling average

MUNICIPAL & INDUSTRIAL KEY FIGURES

EUR million	**Jan–Dec 2012**	Jan–Dec 2011
Revenue	**686.6**	664.7
EBITDA	**42.6**	74.3
EBITDA, %	**6.2**	11.2
Operative EBIT	**42.3**	46.9
EBIT	**–8.5**	43.7
Operative EBIT, %	**6.2**	7.1
EBIT, %	**–1.2**	6.6
Capital employed *	**392.1**	403.4
ROCE, %*	**–2.2**	10.8
Capital expenditure	**35.2**	28.8
Cash flow after investing activities, excluding interest and taxes	**23.3**	41.9

*) 12-month rolling average

OIL & MINING KEY FIGURES

EUR million	**Jan–Dec 2012**	Jan–Dec 2011
Revenue	**321.1**	335.7
EBITDA	**42.6**	45.7
EBITDA, %	**13.3**	13.6
Operative EBIT	**37.3**	36.2
EBIT	**30.2**	34.9
Operative EBIT, %	**11.6**	10.8
EBIT, %	**9.4**	10.4
Capital employed*	**168.8**	150.1
ROCE, %*	**17.9**	23.3
Capital expenditure	**15.9**	9.6
Cash flow after investing activities, excluding interest and taxes	**21.6**	28.7

*) 12-month rolling average

In 2012, Kemira announced that it would expand hydrogen peroxide capacity in Fray Bentos, Uruguay by mid-2013. The company is also proceeding with its Nanjing paper chemicals production plant in China. The project is now in its pre-sales phase, in anticipation of trial production starting at the end of Q1 2013.

The operative EBIT increased 14% to EUR 86.2 million (75.4). Higher sales prices could more than offset the higher variable costs. Increased sales volumes had a small positive impact on the operative EBIT. The fixed costs were EUR 5 million higher than in the comparable period in 2011, mainly due to increased sales and marketing activities and maintenance related expenses. Currency exchange had a positive impact of EUR 4 million on the operative EBIT. The divestment of the hydrogen peroxide plant in Maitland, Canada in November 2011 had a small negative impact on the operative EBIT. The operative EBIT margin improved to 8.6% (7.7%).

Non-recurring restructuring charges, including the "Fit for Growth" program amounted to EUR –31 million and were mainly related to asset write-downs, severance payments and external services.

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.

The Municipal & Industrial segment's **revenue** increased 3% to EUR 686.6 million (664.7). Demand for water treatment chemicals in municipalities recovered throughout the year and resulted together with higher sales prices for inorganic coagulants and flocculants in 2% organic revenue growth. Currency exchange impacted revenues by +2% and divestments by –1%.

The challenging economic conditions caused a slowdown of sales volumes to the municipal customer segment in the fourth quarter in 2011, especially in East Europe, South Europe and California. In East Europe, sales volumes recovered quickly in the beginning of 2012 followed by California. In South Europe chemical usage in municipal water treatment seems to have stabilized on a lower level.

In the industrial customer segment, the sales volumes remained relatively stable through the year in all main industries. Kemira is focusing on water intensive industries such as the food & beverage, the sugar, the construction, the pharmaceutical and the power generating industries. In addition, solutions for membrane technologies, biogas, fermentation, and bioethanol processes have been developed and are currently in the process of commercialization.

The operative EBIT decreased by 10% to EUR 42.3 million (46.9). Higher sales volumes and prices could offset the negative impact of higher variable costs. Variable costs increased by EUR 12 million in 2012 mainly due to increased sulphuric and hydrochloric acid prices. Fixed costs increased by EUR 6 million mainly due to higher personnel and manufacturing related expenses. Currency exchange had a small positive impact on operative EBIT. Operative EBIT margin decreased to 6.2% (7.1%).

Non-recurring restructuring charges, including the "Fit for Growth" program amounted to EUR –51 million and were mainly related to asset write-downs, severance payments and external services.

Rationalization of the manufacturing footprint comprises consolidation of the manufacturing network and selected investments to increase competitiveness. Kemira has made the decision that of its 40 coagulant plants, nine will be closed, focusing the development activities to long-term key sites. The aim is to minimize manufacturing and logistic costs through an asset footprint optimization. Coagulants are one of Kemira's core product lines, and ensuring cost efficient supply of raw materials is essential for the business. Kemira is building two coagulants plants next to Bayer MaterialScience's isocyanate production plants in Dormagen, Germany and Tarragona, Spain. This will guarantee long-term, cost-efficient access to hydrochloric acid, one of the raw materials for coagulant manufacturing. Furthermore, these selected investments will reinforce the company's strong coagulant position. The new plants in Dormagen and Tarragona are expected to be in operation during the second half of 2013.

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.

The Oil & Mining segment's **revenue** decreased 4% to EUR 321.1 million (335.7). Revenues in local currencies decreased 2% excluding the negative –6% impact related to exited low margin product sales. Currency exchange impacted revenues by +4%. Acquisitions and divestments did not have an impact on the revenues.

The decline in Oil & Mining sales volumes was mainly due to lower drilling activities specifically caused by low natural gas prices in North America, and a global slowdown in the mining industry because of lower metal prices.

In the end of 2012, Kemira completed a two-year, multi-million euro capacity expansion project at its polymer production plants in North America. This has resulted in a 60% increase in manufacturing capacity at the company's

Mobile, Alabama, Columbus, Georgia and Longview, Washington production sites.

Polymers are core to Kemira's water technology platform and also play a significant role in growing applications like water reuse, wastewater treatment, rheology control and shale fracturing. The Oil & Mining segment continues to shift its sales mix from products to innovative solutions, improving value creation for the customers.

The operative EBIT increased 3% to EUR 37.3 million (36.2). The operative EBIT improvement was driven mainly by the higher sales prices as Oil & Mining has shifted its sales mix from products into higher value creating solutions. Higher sales prices could partly offset the negative impact of lower sales volumes. Variable costs were EUR 8 million lower due to lower raw material prices. Fixed costs were EUR 5 million higher than in 2011 as a result of investing in sales and marketing resource and related activities. Currency exchange had EUR 3 million positive impact on the operative EBIT. The operative EBIT margin rose to 11.6% (10.8%).

Non-recurring restructuring charges, including the "Fit for Growth" program amounted to EUR –7 million and were mainly related to asset write-downs, severance payments and external services.

OTHER

Specialty chemicals (ChemSolutions), 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". Specialty chemicals products are delivered mainly to the food and feed, the chemicals and the pharmaceutical industries, as well as for airport runway de-icing.

The "Other" **revenue** remained stable at EUR 231.2 million (233.5). ChemSolutions' revenues increased slightly to EUR 186.0 million (183.6) as the higher sales prices could more than compensate for somewhat lower sales volumes. ChemSolutions' products are delivered mainly to the food and feed (about 50% of the ChemSolutions' revenue), chemical and pharmaceutical industries (about 40%), as well as for airport runway de-icing. In December 2012, Kemira signed an agreement with Niacet Corporation (Niagara Falls, USA) regarding the divestment of ChemSolutions' food and pharmaceutical businesses. The transaction covered the shares of ChemSolutions B.V. and its manufacturing site in Tiel, the Netherlands. Other businesses of the ChemSolutions' segment, including the chemical, feed and de-icing businesses will be kept within Kemira. The businesses sold had a revenue of approximately EUR 50 million in 2012. The transaction price was EUR 82 million and will impact Kemira's cash flow positively in the first quarter of 2013.

Revenues other than ChemSolutions are the service revenues in Sweden and Finland.

The operative EBIT decreased to EUR –11.7 million (–1.2). ChemSolutions' operative EBIT decreased 30% to EUR 14.6 million (20.8). The operative EBIT decreased mainly due to the higher variable costs of EUR 9 million that could not fully be compensated by the respective sales price increases. The extended maintenance shut-down of ChemSolutions' formic acid plant in Oulu, Finland in the second quarter in 2012 also impacted operative EBIT negatively. ChemSolutions' operative EBIT margin decreased to 7.8% (11.3%).

"Other" non-recurring restructuring charges, including the "Fit for Growth" program amounted to EUR –34 million in 2012 mainly related to the EUR –18 million write-down for ChemSolutions' food and pharmaceutical businesses divestment, other asset write-downs, severance payments and external services.

As of January 1, 2013, ChemSolutions will be reported as a separate segment together with Paper, Municipal & Industrial and Oil & Mining. Revenue other than ChemSolutions and all Group expenses will be allocated to these four segments on a fixed quota basis, and the unit called "Other" will be abolished. Restated figures will be publicly available before the first quarter result release on April 23, 2013.

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. Kemira Oyj's revenue decreased to EUR 1,356.0 million (1,365.3) in 2012. The EBIT decreased to EUR –38.2 million (86.7). EBIT decreased mainly due to the charges related to the "Fit for Growth" restructuring program and decline in other operating income.

The parent company's net financial expenses were EUR 86.9 million (90.5). Net profit totaled EUR 68.7 million (245.6). Capital expenditure totaled EUR 13.4 million (216.9), excluding investments in subsidiaries.

KEMIRA OYJ'S SHARES AND SHAREHOLDERS

On December 31, 2012, 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.

OWNERSHIP DEC 31, 2012

Corporation	40.6%
Financial and insurance operations	6.7%
General government	15.6%
Housholds	15.4%
Non-profit institutions	4.6%
Non-Finnish shareholders incl. nominee register	17.1%

SHAREHOLDING BY NUMBER OF SHARES HELD DEC 31, 2012

Number of shares	Number of shareholders	% of share–holders	Shares total	% of shares and votes
1–100	6,071	19.9	379,116	0.3
101–500	13,275	43.3	3,617,062	2.3
501–1,000	5,113	16.7	3,823,797	2.5
1,001–5,000	5,163	16.9	10,459,191	6.7
5,001–10,000	490	1.6	3,513,213	2.3
10,001–50,000	353	1.2	6,796,292	4.4
50,001–100,000	61	0.2	4,267,767	2.7
100,001–500,000	59	0.2	11,672,434	7.5
500,001–1,000,000	5	0.0	3,580,558	2.3
1,000,001–	11	0.0	107,233,127	69.0
Total	**30,601**	**100.0**	**155,342,557**	**100.0**

LARGEST SHAREHOLDERS DECEMBER 31, 2012

	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	6,450,143	4.2
5	Tapiola Mutual Pension Insurance Company	2,600,000	1.7
6	Mandatum Life	2,591,613	1.7
7	Danske Invest funds	1,570,304	1.0
8	Pohjola Fund Management	1,063,779	0.7
9	SEB Gyllenberg funds	799,397	0.5
10	Nordea funds	773,448	0.5
11	Sigrid Jusélius Foundation	730,000	0.5
12	Veritas Pension Insurance Company Ltd.	561,447	0.4
13	The Local Goverment Pensions Institution	426,482	0.3
14	The Finnish Cultural Foundation	405,579	0.3
15	Valio Pension Fund	378,899	0.2
	Kemira Oyj	3,301,769	2.1
	Nominee-registered and foreign shareholders	26,567,990	17.1
	Others, total	41,361,567	26.4
	Total	**155,342,557**	**100.0**

At the end of December 2012, Kemira Oyj had 30,601 registered shareholders (31,294 at the end of December, 2011). Foreign shareholders held 17.1% of the shares (13.8%) including nominee registered holdings. Households owned 15.4% of the shares (16.3%). Kemira held 3,301,769 treasury shares (3,312,660) representing 2.1% (2.1%) of all company shares. No 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 11.81 at the NASDAQ OMX Helsinki at the end of 2012 (9.18%). The share price increased 28.6% during the year while OMX Helsinki Cap index increased 9.6%. Shares registered a high of EUR 12.00 (12.67%) and a low of EUR 8.00 (7.80). The average share price was EUR 10.10 (10.49%). Kemira's market capitalization, excluding treasury shares, was EUR 1,796 million at the end of the year 2012 (1,396). The performance of the STOXX Chemicals (Europe), benchmark index for Kemira, developed closely in line with the Kemira share and increased 30% in 2012.

In 2012, Kemira Oyj's share trading volume on NASDAQ OMX Helsinki decreased 19% to 88.5 million (109.0) shares and was valued at EUR 886.7 million (1,113.0). The average daily trading volume was 352,397 (430,882) shares. On NASDAQ OMX Helsinki stock exchange, the total trading volume decreased 29% in 2012 compared to 2011.

In addition to NASDAQ OMX Helsinki, Kemira shares are traded on several alternative market places or multilateral trading facilities (MTF), for example at BATS Chi-X and Turquoise. In 2012, a total of 29.1 million (23.0) Kemira Oyj shares were traded at alternative market places, i.e. approximately 26.0% (17.5%) of the total amount of traded shares executed on-book. (Source: Fidessa) The total amount of traded Kemira shares, including trade on NASDAQ OMX Helsinki and multilateral trading facilities decreased 6% in 2012 compared to 2011.

SHARE-BASED INCENTIVE PLAN FOR THE STRATEGIC MANAGEMENT

In February 2012, Kemira's Board of Directors decided to establish a new share-based incentive plan that follows the already terminated 2009–2011 plan aimed at the company's strategic management for the years 2012–2014, as part of the company's incentive and commitment schemes. The delivery of share rewards within the plan is subject to the achievement of the performance targets set by the Board of Directors, which include both internal and external performance targets. The internal target setting is divided into three one-year performance periods: 2012, 2013, and 2014. Payment depends on the achievement of the set intrinsic value targets calculated from the development of the EBITDA and the development of the net debt. The program also includes a three-year external goal, which is tied to the relative total shareholder return (TSR) performance during 2012–2014. As a guiding principle, rewards will only be paid based on excellent performance.

The value of the aggregate reward paid out in the course of the three-year plan may not exceed 120% of CEO's and 100% of the other participants' gross salary for the same period. The applicable taxes will be deducted from the gross earning and the remaining net value is delivered to the participants in Kemira shares.

Shares earned through the plan must be held for a minimum of two years following each payment. In addition, participants of the plan must retain fifty per cent of the shares obtained under the plan until their ownership of Kemira shares based on shares obtained through the share-based incentive programs of Kemira has reached a share ownership level which in value equals at least their gross annual salary for as long as they remain participants in the plan.

The 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 the strategic management, Kemira has a share-based incentive plan aimed at other key employees. The participants in the strategic management plan will not participate in this plan for the key employees.

The share-based incentive plan for the strategic management aims to align the goals of shareholders and strategic management in order to increase the value of the company, motivate the strategic management, and provide competitive shareholder-based incentives.

AGM DECISIONS

ANNUAL GENERAL MEETING

Kemira Oyj's Annual General Meeting, held on March 21, 2012, confirmed a dividend of EUR 0.53 per share for 2011. The dividend was paid out on April 2, 2012.

The AGM 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 repurchases. 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, 2012.

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, 2013. Based on the decision of the Annual General Meeting of Kemira Oyj on March 21, 2012, Kemira Oyj has transferred 10,891 shares to the members of the Board of Directors as part of remuneration of the Board.

The AGM elected Deloitte & Touche Oy. to serve as the company's auditor, with Jukka Vattulainen, Authorized Public Accountant, acting as the principal auditor.

NOMINATION BOARD

The AGM of Kemira Oyj decided to establish a Nomination Board consisting of the shareholders or the representatives of the shareholders to prepare annually a proposal for the next AGM concerning the composition and remuneration of the Board of Directors. The Nomination Board consists of representatives of the four largest shareholders of Kemira Oyj based on the situation on August 31 preceding the AGM, and the Chairman of Kemira's Board of Directors acts as an expert member.

As of August 31, 2012, the members of the Nomination Board are Pekka Paasikivi, Chairman of the Board 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 Jukka Viinanen, Chairman of Kemira's Board of Directors as an expert member.

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. The company's corporate governance is presented as a separate statement on the company's website. The statement is attached to the release publishing the Annual report.

BOARD OF DIRECTORS

On March 21, 2012, the AGM elected six Board members. The AGM reelected members Elizabeth Armstrong, Winnie Fok, Juha Laaksonen, Kerttu Tuomas and Jukka Viinanen to the Board of Directors and elected Jari Paasikivi as a new member. Jukka Viinanen was elected as the new Board's chairman and Jari Paasikivi was elected as vice chairman. The remuneration paid to the members of the Board remained unchanged. In 2012, the Board of Directors met 12 times. The average attendance rate was 95%.

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 Elizabeth Armstrong and Jari Paasikivi as members. In 2012, the Audit Committee met 5 times with a 100% attendance rate. The Compensation Committee is chaired by Jukka Viinanen and has Kerttu

Tuomas and Jari Paasikivi as members. In 2012, the Compensation Committee met twice with a 100% attendance rate.

CHANGES TO COMPANY MANAGEMENT

In October, 2012, Kemira's Board of Directors appointed Wolfgang Büchele (PhD, Chemistry) as Kemira Oyj's President and Chief Executive Officer. Succeeding the retiring Harri Kerminen, Wolfgang Büchele started in the position on April 1, 2012. Büchele acted as a member of Kemira's Board of Directors since 2009 until March 21, 2012.

In October 1, 2012, Kemira's management structure was consolidated in connection to an organizational change, Management Board lead by the CEO replaced the previous Strategic Management and Business Management Boards. The Management Board is responsible for securing the long-term strategic development of the company. The members of the Management Board are: Wolfgang Büchele, CEO; Petri Helsky, Paper segment and EMEA region; Hannu Virolainen, Municipal & Industrial segment and EHSQ; Randy Owens, Oil & Mining segment and North America; Frank Wegener, ChemSolutions segment; Joe Chan, Asia Pacific region; Hilton Casas, South America region; Antti Salminen, Supply Chain Management; Jyrki Mäki-Kala, CFO; Heidi Fagerholm, CTO and Eeva Salonen, Human Resources. Jukka Hakkila, Group General Counsel is acting as a secretary to the Management Board.

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, operational and financial 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 and Oil & Mining segments, 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.

The continuous improvement of the profitability is a crucial element 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 the company fails 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.

The development of a profitable business in Asia can also be threatened by difficulties related to the intellectual property rights and by 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 2012. Environmental and hazard risks are discussed in Kemira's Sustainability Report that will be published as part of the Kemira Annual Report 2012 during the week beginning on February 25, 2013.

EVENTS AFTER THE REVIEW PERIOD

PROPOSALS OF THE NOMINATION BOARD TO THE ANNUAL GENERAL MEETING 2013

Kemira's Nomination Board proposed to the 2013 Annual General Meeting of Kemira Oyj that five members be elected to the Board of Directors and that the present members Winnie Fok, Juha Laaksonen, Jari Paasikivi, Kerttu Tuomas and Jukka Viinanen be re-elected as members of the Board of Directors. The Nomination Board proposes Jukka Viinanen to be re-elected as Chairman of the Board of Directors and Jari Paasikivi to be re-elected as Vice Chairman.

The Nomination Board proposed to the Annual General Meeting that the remuneration paid to the members of the Board of Directors would remain unchanged, except that the annual fee payable to the Chairman of the Audit Committee, when he is not the Chairman or Vice Chairman of the Board of Directors, was proposed to be increased to EUR 45,000 from EUR 36,000 payable to the other members of the Board of Directors. The reason for this proposal was the big workload of the Chairman of the Audit Committee.

The remuneration paid to the members of the Board of Directors would thus be as follows. The annual fees: for the Chairman EUR 74,000 per year, for the Vice Chairman and the Chairman of the Audit Committee EUR 45,000 per year and for the other members EUR 36,000 per year. A fee payable for each meeting of the Board of Directors and the Board Committees would be for the members residing in Finland EUR 600, for the members residing in other parts of Europe EUR 1,200 and for the members residing outside of Europe EUR 2,400. Travel expenses were 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, 2013. The meeting fees were proposed to be paid in cash.

DIVIDEND

On December 31, 2012, Kemira Oyj's distributable funds totaled EUR 621,334,254 net profit, which accounted for EUR 68,680,078 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 26, 2013 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, 2012.

OUTLOOK AND RESTRUCTURING PROGRAM "FIT FOR GROWTH"

Kemira will continue to focus on improving its profitability and reinforcing positive cash flow. The company will also continue to invest in order to secure the future growth in the water quality and quantity management business.

Kemira's financial targets remain as earlier communicated. 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 expanding market for chemicals related to water quantity and quality management and Kemira's strong know-how in this field. Increasing water shortage, tightening legislation and customers' needs to increase operational efficiency create opportunities for Kemira to develop new water applications for both current and new 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 in all relevant markets.

RESTRUCTURING PROGRAM "FIT FOR GROWTH"

Kemira Oyj has started to implement its global restructuring program "Fit for Growth", launched at the end of July, 2012, to improve the company's profitability, its internal efficiency and to accelerate the growth in emerging markets without sacrificing business opportunities in the mature markets. The cost savings target with the planned program is EUR 60 million on an annualized basis. In 2012, the cost savings impact of "Fit for Growth" was EUR 10 million.

The anticipated EUR 60 million cost saving impact of the program is expected to take place as follows: EUR 10 million in 2012, EUR 50 million in 2013 and EUR 60 million in 2014. The ultimate goal of the program is to reach at least 10% EBIT margin in 2014. Redundancies will account for 50% of the expected savings. The remaining 50% will be achieved through the manufacturing network consolidation as well as through the leaner operations. Cost savings estimates for the different segments, based on the detailed plan of measures, are: Paper EUR 22 million, Municipal & Industrial EUR 22 million, Oil & Mining EUR 12 million and ChemSolutions EUR 4 million.

Non-recurring charges related to the restructuring program are estimated to be around EUR 85 million, EUR45 million of which will be severance payments and external services related cost and EUR 40 million will be asset write-downs. EUR 71 million of the restructuring charges were booked in the second half of 2012, and the balance will be booked in the first half of 2013. In the fourth quarter in 2012 non-recurring charges related to "Fit for Growth" amounted to EUR 31 million, EUR 8 million of which were asset write-downs and EUR 23 million were severance payments and external services.

The implementation may ultimately lead to a reduction of up to 600 positions globally. Kemira has initiated the co-determination negotiations according to each country's local legislation. In the beginning of the negotiations, it was estimated that the personnel reductions may affect approximately 260 employees working in Finland. As a result of the co-determination negotiations, the head count reduction was 152 in Finland. Additional potential outsourcing in Finland is still under consideration. Kemira had 4,857 employees worldwide at the end of December 2012 (5,006 at the end of 2011).

OUTLOOK

In 2013, Kemira expects its revenue in local currencies and excluding divestments to be slightly higher than in 2012 and its operative EBIT to be significantly higher than in 2012. The guidance for 2013 is defined as follows.

Kemira guidance	Definition
Slightly higher/lower	from 0% to 5% or from 0% to –5%
Higher/lower	from 5% to 15% or from –5% to –15%
Significantly higher/ lower	more than 15% or less than –15%

Helsinki, February 6, 2013

Kemira Oyj
Board of Directors

All forward-looking statements in this review are based on the management's current expectations and beliefs about future events, and actual results may differ materially from the expectations and beliefs such statements contain.

Group Key Figures

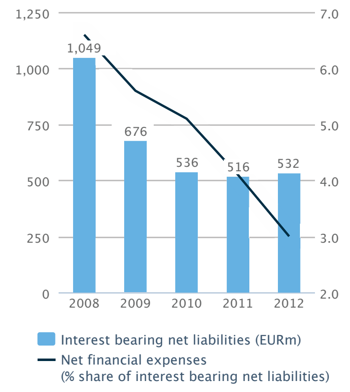
FINANCIAL FIGURES

	2012	2011	2010	2009	2008
INCOME STATEMENT AND PROFITABILITY					
Revenue, EUR million [1]	**2,241**	2,207	2,161	1,970	2,833
Operating profit, EUR million [2]	**32**	158	156	110	74
% of revenue	**1**	7	7	6	3
Share of profit or loss of associates, EUR million [1] [2]	**11**	31	9	–5	–3
Finance income and costs (net), EUR million [1]	**16**	21	27	38	69
% of revenue	**1**	1	1	2	2
Interest cover [1] [2]	**11**	12	10	5	4
Profit before tax, EUR million [1]	**27**	168	138	67	2
% of revenue	**1**	8	6	3	0
Net profit for the period (attributable to equity owners of the parent), EUR million [1]	**17**	136	111	54	–2
Return on investment (ROI), %	**3**	9	7	7	4
Return of equity (ROE), %	**1**	10	9	7	0
Return on capital employed (ROCE), %	**3**	11	10	8	3
Research and development expenses, EUR million [1]	**42**	40	42	37	71
% of revenue	**2**	2	2	2	3
CASH FLOW					
Net cash generated from operating activities, EUR million	**176**	178	133	288	90
Disposals of subsidiaries and property, plant and equipment and intangible assets, EUR million	**30**	137	–6	2	254
Capital expenditure, EUR million	**134**	201	107	86	342
% of revenue	**6**	9	5	3	12
Cash flow after capital expenditure, EUR million	**72**	115	169	202	3
Cash flow return on capital invested (CFROI), %	**8**	8	6	12	4
BALANCE SHEET AND SOLVENCY					
Non-current assets, EUR million	**1,709**	1,846	1,862	1,886	1,906
Shareholders' equity (Equity attributable to equity owners of the parent), EUR million	**1,302**	1,358	1,340	1,250	963
Total equity, EUR million	**1,315**	1,371	1,366	1,269	976
Total liabilities, EUR million	**1,163**	1,306	1,178	1,548	1,884
Total assets, EUR million	**2,489**	2,677	2,544	2,817	2,860
Interest-bearing net liabilities, EUR million	**532**	516	536	676	1,049
Equity ratio, %	**53**	51	54	45	34
Gearing, %	**40**	38	39	53	107
Interest-bearing net liabilities / EBITDA	**3.0**	2.0	1.9	2.5	4.3
PERSONNEL					
Personnel (average)	**5,043**	5,006	5,608	8,843	9,954
of whom in Finland	**1,173**	1,145	1,241	1,929	2,659
EXCHANGE RATES					
Key exchange rates (December 31)					
USD	**1.319**	1.294	1.336	1.441	1.392
SEK	**8.582**	8.912	8.966	10.252	10.870
BRL	**2.704**	2.416	2.217	2.511	3.244

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

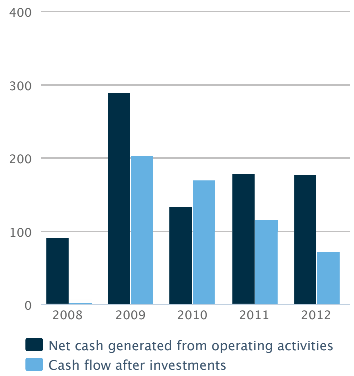
[2] Share of profit or loss of associates is presented after finance expenses.

Net liabilities and financial expenses*

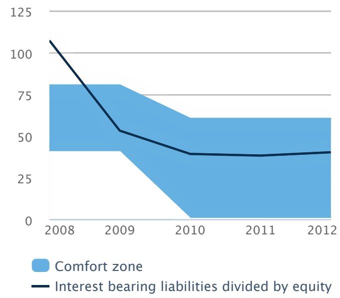


* Excluding Tikkurila 2009 and 2010

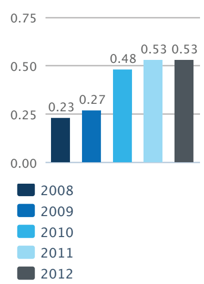
Cash flow (EUR million)



Gearing %

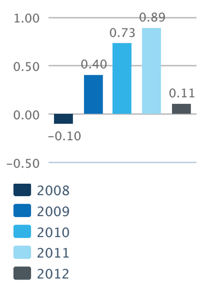


Dividend per share (EUR)*



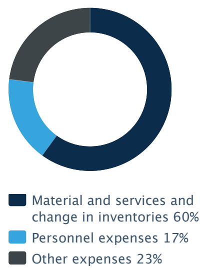
* The dividend for 2012 is the Board of Directors' proposal to the Annual General Meeting.

Earnings per share (EUR)*

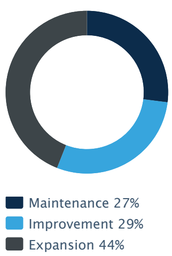


* Excluding Tikkurila 2009 and 2010

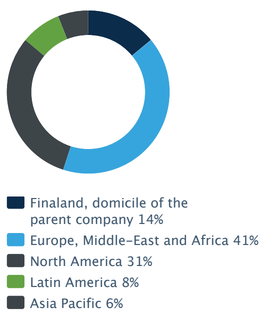
Operating expenses, %



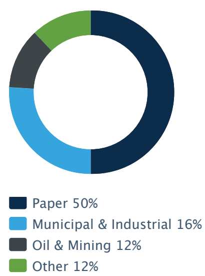
Capital expenditure by character, %



Revenue by region, %



Capital expenditure by segment, %



Group Key Figures

PER SHARE FIGURES

	2012	2011	2010	2009	2008
PER SHARE FIGURES					
Earnings per share, continuing operations, basic, EUR 1) 3)	**0.11**	0.89	0.73	0.40	
Earnings per share, basic, EUR 1) 3)	**0.11**	0.89	4.23	0.61	−0.01
Earnings per share, continuing operations, diluted, EUR 1) 3)	**0.11**	0.89	0.73	0.40	
Earnings per share, diluted, EUR 1) 3)	**0.11**	0.89	4.23	0.61	−0.01
Cash flow from operations per share, EUR 1) 3)	**1.16**	1.17	0.88	2.13	0.68
Dividend per share, EUR 1) 2) 3) 4)	**0.53**	0.53	0.48	0.27	0.23
Dividend payout ratio, % 1) 2) 3) 4)	**481.8**	59.4	65.7	44.3	−1,634.2
Dividend yield 1) 2) 4)	**4.5**	5.8	4.1	2.6	4.2
Equity per share, EUR 1)	**8.56**	8.94	8.83	8.25	7.94
Price per earnings per share (P/E ratio) 1) 3)	**107.36**	10.28	16.01	17.14	−388.28
Price per equity per share 1) 3)	**1.38**	1.03	1.33	1.26	0.75
Price per cash flow per share 1) 3)	**10.18**	7.85	13.34	4.87	7.98
Dividend paid, EUR million 2) 4)	**80.6**	80.6	72.8	41.0	30.3
SHARE PRICE AND TURNOVER					
Share price, year high, EUR 3)	**12.00**	12.67	13.19	11.63	13.43
Share price, year low, EUR 3)	**8.00**	7.80	7.89	3.87	4.93
Share price, year average, EUR 3)	**10.10**	10.49	10.15	7.64	7.91
Share price, end of year, EUR 3)	**11.81**	9.18	11.70	10.39	5.40
Number of shares traded (1,000)	**88,346**	109,013	115,850	83,792	117,397
% on number of shares	**57**	70	75	54	97
Market capitalization, end of year, EUR million	**1,795.6**	1,395.6	1,775.3	1,574.0	719.9
NUMBER OF SHARES AND SHARE CAPITAL					
Average number of shares, basic, (1,000) 1)	**152,037**	151,994	151,697	134,824	121,191
Average number of shares, diluted, (1,000) 1)	**152,173**	152,152	152,017	135,085	121,191
Number of shares at end of year, basic, (1,000) 1)	**152,041**	152,030	151,735	151,488	121,191
Number of shares at end of year, diluted (1,000) 1)	**152,090**	152,030	152,055	151,748	121,191
Increase in number of shares (1,000)	**11**	295	247	30,298	–
Share capital, EUR million	**221.8**	221.8	221.8	221.8	221.8

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 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 2012 is the Board of Director's proposal to the Annual General Meeting.

Definitions of Key Figures

PER SHARE FIGURES

EARNINGS PER SHARE (EPS)

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

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

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

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

$$\frac{\text{Share price at end of year}}{\text{Equity per share attributable to equity owners of the parent}}$$

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

$$\frac{\text{Operating profit + depreciation, amortization and impairments}}{\text{Net financial expenses}}$$

RETURN ON INVESTMENTS (ROI), %

$$\frac{\text{(Profit before taxes + interest expenses + other financial expenses) x 100}}{\text{(Total assets – non-interest bearing liabilities)}^{1)}}$$

RETURN ON EQUITY (ROE), %

$$\frac{\text{Net profit attributable to equity owners of the parent x 100}}{\text{Equity attributable to equity owners of the parent}^{1)}}$$

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

Kemira 2012 Consolidated Financial Statements • Consolidated Income Statement (EUR million)

Consolidated Income Statement (IFRS)

		Year ended 31 December	
	Note	**2012**	2011
Revenue	2	**2,240.9**	2,207.2
Other operating income	3	**13.8**	22.5
Operating expenses	4, 5	**–2,076.2**	–1,970.1
Depreciation, amortization and impairment	6, 11, 12, 13	**–146.8**	–101.3
Operating profit		**31.7**	158.3
Finance income	7	**15.1**	10.8
Finance costs	7	**–30.8**	–33.1
Exchange differences	7	**0.0**	1.4
Finance costs, net	7	**–15.7**	–20.9
Share of profit or loss of associates	2, 8	**11.2**	31.0
Profit before tax		**27.2**	168.4
Income tax expense	9	**–5.7**	–28.1
Net profit for the period		**21.5**	140.3
Profit attributable to:			
Equity owners of the parent		**16.8**	135.6
Non-controlling interests		**4.7**	4.7
Net profit for the period		**21.5**	140.3
Earnings per share for profit attributable to the equity owners of the parent company (in EUR per share)			
Basic and diluted	10	**0.11**	0.89

The notes are an integral part of these Consolidated Financial Statements.

Kemira 2012 Consolidated Financial Statements • Consolidated Statement of Comprehensive Income (EUR million)

Consolidated Statement of Comprehensive Income (IFRS)

	Note	Year ended 31 December	
		2012	2011
Net profit for the period		**21.5**	140.3
Other comprehensive income			
Available-for-sale financial assets		**5.4**	−24.1
Exchange differences on translating foreign operations		**2.3**	−4.6
Net investment hedge in foreign operations		**0.0**	0.4
Cash flow hedges		**−1.0**	−14.5
Other comprehensive income for the period, net of tax	9, 19	**6.7**	−42.8
Total comprehensive income for the period		**28.2**	97.5
Total comprehensive income attributable to:			
Equity owners of the parent		**22.8**	93.8
Non-controlling interests		**5.4**	3.7
Total comprehensive income for the period		**28.2**	97.5

Items in the consolidated statement of comprehensive income are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 9.

The notes are an integral part of these Consolidated Financial Statements.

Kemira 2012 Consolidated Financial Statements • Consolidated Balance Sheet (EUR million)

Consolidated Balance Sheet (IFRS)

	Note	As at 31 December 2012	2011
ASSETS			
NON-CURRENT ASSETS			
Goodwill	11	**522.5**	606.0
Other intangible assets	12	**60.5**	67.5
Property, plant and equipment	13	**655.9**	656.0
Investments in associates	8	**122.8**	158.8
Available-for-sale financial assets	14, 15	**264.0**	256.5
Deferred income tax assets	22	**29.7**	47.3
Other investments		**9.8**	9.7
Defined benefit pension receivables	23	**43.6**	44.3
Total non-current assets		**1,708.8**	1,846.1
CURRENT ASSETS			
Inventories	16	**181.9**	228.2
Interest-bearing receivables	15, 17	**0.3**	0.5
Trade and other receivables	15, 17	**353.1**	391.2
Current income tax assets		**18.9**	24.7
Cash and cash equivalents	29	**132.7**	185.8
Total current assets		**686.9**	830.4
Non-current assets classified as held-for-sale	18	**93.3**	0.0
Total assets		**2,489.0**	2,676.5
EQUITY AND LIABILITIES			
EQUITY	19		
Equity attributable to equity owners of the parent			
Share capital		**221.8**	221.8
Other equity		**1,079.8**	1,136.7
Equity attributable to equity owners of the parent		**1,301.6**	1,358.5
Non-controlling interests		**13.2**	12.3
Total equity		**1,314.8**	1,370.8
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	15, 20, 21	**387.5**	464.5
Other liabilities	15	**21.4**	0.0
Deferred income tax liabilities	22	**43.8**	86.5
Pension liabilities	23	**54.9**	52.4
Provisions	24	**21.8**	50.3
Total non-current liabilities		**529.4**	653.7
CURRENT LIABILITIES			
Interest-bearing current liabilities	15, 20, 21	**277.2**	237.1
Trade payables and other liabilities	15, 25	**315.5**	383.8
Current income tax liabilities		**17.3**	24.8
Provisions	24	**23.8**	6.3
Total current liabilities		**633.8**	652.0
Liabilities directly associated with the assets classified as held-for-sale	18	**11.0**	0.0
Total liabilities		**1,174.2**	1,305.7
Total equity and liabilities		**2,489.0**	2,676.5

The notes are an integral part of these Consolidated Financial Statements.

Kemira 2012 Consolidated Financial Statements • Consolidated Statement of Cash Flow (EUR million)

Consolidated Statement of Cash Flow (IFRS)

	Note	Year ended 31 December 2012	2011
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the period		**21.5**	140.3
Adjustments for			
Depreciation, amortization and impairment	6, 11, 12, 13	**146.8**	101.3
Income taxes	9	**5.7**	28.1
Finance expenses, net	7	**15.7**	20.9
Share of profit or loss of associates	8	**–11.2**	–31.0
Other non-cash income and expenses not involving cash flow		**40.8**	–27.0
Operating profit before change in working capital		**219.3**	232.6
Change in working capital			
Increase (–) / decrease (+) in inventories		**26.3**	–24.6
Increase (–) / decrease (+) in trade and other receivables		**17.2**	–35.5
Increase (+) / decrease (–) in trade payables and other liabilities		**–64.6**	57.4
Change in working capital		**–21.1**	–2.7
Cash generated from operations		**198.2**	229.9
Interest and other finance cost paid		**–28.7**	–34.1
Interest and other finance income received		**8.0**	7.5
Realized exchange gains and losses		**13.4**	10.5
Dividends received		**15.6**	1.3
Income taxes paid		**–30.2**	–37.4
Net cash generated from operating activities		**176.3**	177.7
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of available-for-sale financial assets		**–0.4**	–102.8
Purchases of property, plant, equipment and intangible assets		**–133.7**	–98.3
Change in long-term loan receivables decrease (+) / increase (–)		**–0.2**	1.6
Proceeds from sale of subsidiaries, net of cash disposed	26	**0.0**	1.7
Paid-in-capital from associates		**26.8**	11.7
Proceeds from sale of available-for-sale financial assets		**0.0**	96.9
Proceeds from sale of property, plant and equipment		**3.0**	26.8
Net cash used in investing activities		**–104.5**	–62.4
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from non-current interest-bearing liabilities (+)		**1.6**	16.0
Repayment from non-current interest-bearing liabilities (–)		**–81.5**	–103.3
Short-term financing, net increase (+) / decrease (–)		**43.3**	154.6
Dividends paid		**–85.1**	–77.8
Purchases of non-controlling interests		**0.0**	–13.2
Other finance items		**–0.9**	–0.5
Net cash used in financing activities		**–122.6**	–24.2
Net decrease (–) / increase (+) in cash and cash equivalents		**–50.8**	91.1
Cash and cash equivalents at end of period		**132.7**	185.8
Exchange gains (+) / losses (–) on cash and cash equivalents		**2.3**	–2.9
Cash and cash equivalents at beginning of the period		**185.8**	91.8
Net decrease (–) / increase (+) in cash and cash equivalents		**–50.8**	91.1

The notes are an integral part of these Consolidated Financial Statements.

Kemira 2012 Consolidated Financial Statements • Consolidated Statement of Changes in Equity (EUR million)

Consolidated Statement of Changes in Equity (IFRS)

	ATTRIBUTABLE TO OWNERS 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, 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
Equity at January 1, 2012	**221.8**	**257.9**	**89.3**	**196.3**	**−24.6**	**−22.3**	**640.1**	**1,358.5**	**12.3**	**1,370.8**
Net profit for the period							16.8	**16.8**	4.7	**21.5**
Other comprehensive income, net of tax			4.4		1.6			**6.0**	0.7	**6.7**
Total comprehensive income			**4.4**		**1.6**		**16.8**	**22.8**	**5.4**	**28.2**
Transactions with owners										
Dividends paid							−80.6	**−80.6**	−4.5	**−85.1**
Treasury shares issued to target group of shareholders based on incentive plan						0.1		**0.1**		**0.1**
Share-based payments							0.8	**0.8**		**0.8**
Transfers in equity					−0.1		0.1	**0.0**		**0.0**
Transactions with owners					**−0.1**	**0.1**	**−79.7**	**−79.7**	**−4.5**	**−84.2**
Equity at December 31, 2012	**221.8**	**257.9**	**93.7**	**196.3**	**−23.1**	**−22.2**	**577.2**	**1,301.6**	**13.2**	**1,314.8**

The notes are an integral part of these Consolidated Financial Statements.

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Notes to the 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 6, 2013. 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 and amended IFRSs adopted in 2012

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions and events.

- Amendment to IAS 12 *Income Taxes* (effective for reporting periods beginning on or after 1 January 2012). IAS 12 earlier required an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use (i.e. rental income) or sale. According to the amendment the investment properties measured at fair value are expected to recover their carrying amount through sale.
- Amendment to IFRS 7 *Financial instruments– Disclosures* (effective for reporting periods beginning on or after 1 July 2011). The amendment provides greater transparency around the disclosure requirements for transactions involving transfers of the financial instruments and increases the understanding of risks associated with financial instruments and the risks' effect on financial position of the entity, particularly those involving securitisation of financial assets.

Application of new and revised IFRSs in issue but not yet effective

IASB has published the following new or revised standards and interpretations which the Group has not yet adopted. The Group will adopt each standard and interpretation as from the effective date, or if the effective date is other than the first day of the reporting period, from the beginning of the next reporting period after the effective date. The effects of these new and amended standards are under investigation.

- Amendment to IAS 1 *Presentation of Financial Statements* (effective for reporting periods beginning on or after 1 July 2012). The main change is the requirement for grouping items in 'other comprehensive income' based on whether they are potentially reclassifiable to profit or loss as certain conditions are fulfilled. The amendments only have an impact on the presentation of the Kemira's Consolidated Financial Statements.
- Amendment to IAS 19 *Employee Benefits* (effective for reporting periods beginning on or after 1 January 2013). The amendments state that all actuarial gains and losses are immediately recognised through other comprehensive income, in other words, the corridor approach is eliminated and financial cost is determined on net funding basis. The amendment to IAS 19 will increase the Group's net liabilities of defined benefit plans in the balance sheet by approximately EUR 60 million in the first quarter of 2013.

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- IFRS 9 *Financial Instruments* (effective for reporting periods beginning on or after 1 January 2015). IFRS 9 project is the first phase of a wider project which aims to replace IAS 39 with a new standard. According to IFRS 9, financial assets are classified and measured based on entity's business model and the contractual cash flow characteristics of the financial asset. Classification and measurement of financial liabilities is mainly based on the current IAS 39 principles. Impairment of financial assets and hedge accounting are the most significant uncompleted parts of IFRS 9. The standard has not yet been endorsed by EU. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.
- IFRS 10 *Consolidated Financial Statements* (effective for reporting periods beginning on or after 1 January 2013). The standard establishes control as the base for consolidation. Additionally, the standard provides further guidance on how to apply principles of control when it is challenging to assess. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 in 2014.
- IFRS 11 *Joint Arrangements* (effective for reporting periods beginning on or after 1 January 2013). The standard emphases the rights and obligations of the joint arrangement rather than its legal form in the accounting. The arrangements are divided into two: joint operations and joint ventures. The standard requires joint ventures to be accounted for using equity method of accounting. Proportional consolidation of joint ventures is no longer allowed. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted. The Group is yet to assess IFRS 11's full impact and intends to adopt IFRS 11 in 2014.
- IFRS 12 *Disclosure of Interests in Other Entities* (effective for reporting periods beginning on or after 1 January 2013). The standard includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other, off balance sheet vehicles. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 in 2014.
- IFRS 13 *Fair Value Measurement* (effective for reporting periods beginning on or after 1 January 2013). The standard aims to increase uniformity by providing specific definition for fair value. It also provides both requirements for determining fair value and the required disclosures under the same standard. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The Group is yet to assess the full impact of the new standard.
- IAS 27 (revised 2011) *Separate Financial Statements* (effective for reporting periods beginning on or after 1 January 2013). The revised standard includes the requirements for separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted. 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 reporting periods beginning on or after 1 January 2013). The revised standard includes requirements for both joint operations and associates to be accounted by using equity method of accounting after IFRS 11 was issued. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted. The Group is yet to assess the full impact of the revised standard.
- Amendment to IAS 32 *Financial instruments*: *Presentation* (effective for reporting periods beginning on or after 1 January 2014) and amendment to IFRS 7 *Financial Instruments: Disclosures* (effective for reporting periods beginning on or after 1 January 2013). These amendments are intended to clarify existing offsetting rules and to require additional disclosure information about rights of offset in certain specific circumstances. The Group is yet to assess the full impact of the amendment.
- Amendment to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* (effective for reporting periods beginning on or after 1 January 2013). The amendment provides additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period. The standard has not yet been endorsed by EU. The Group is yet to assess the full impact of the amendment.
- Amendment to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* (effective for reporting periods beginning on or after 1 January 2014). The amendment provides 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 or IAS 39. The

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standard has not yet been endorsed by EU. The Group is yet to assess the full impact of the amendment.

- Annual Improvements to IFRS 2009–2011, May 2012 (effective for reporting periods beginning on or after 1 January 2013). In the annual improvement process the non-urgent but necessary amendments to IFRS are collected and issued annually. The improvements concern five standards. The nature of the improvements depends on the standards, but they do not have material impact on the consolidated financial statements. The standard has not yet been endorsed by EU. The Group is yet to assess the full impact of the amendments.

CONSOLIDATION

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. The Group also assesses the existence of control in cases it possesses less than 50% of the voting rights but is able to govern the financial and operating policies by virtue of de-facto control.

Divested companies are consolidated until the date when such control ceases, and companies acquired during the year are included from the date on the control is transferred to the Group.

All intra-group transactions are eliminated. Intra-group shareholdings are eliminated by using the acquisition method. 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 may include 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 amount that exceeds that 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 retains, 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, and the change in the carrying amount recognized in profit or loss.

The Group has applied previous provisions valid at the time to the business combinations having occurred prior to January 1, 2010.

Associates

Associated companies are companies over which the Group exercises significant influence (voting rights generally being 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 Consolidated Financial Statements.

FOREIGN CURRENCY TRANSLATION

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 are translated 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

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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 from 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.

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.

REVENUE

Revenue is measured at the fair value of the consideration received or receivable, and represents the total invoicing value of products sold and services rendered less; sales tax, discounts and foreign exchange differences in trade receivables as adjusting items.

REVENUE RECOGNITION PRINCIPLES

The revenue from sale of goods is recognized in the income statement when the major risks and rewards related to the ownership of the goods have been transferred to the buyer.

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 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 by applying 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 has equity-settled share-based compensation plans for key personnel and management board members, under which the Group receives services from employees as consideration for equity instrument of the Group. The potential rewards are provided partly in shares and partly in cash. The potential reward provided in shares is recognized as a personnel expense in the income statement and in the equity. Correspondingly, the rewards provided in cash are recognized as a personnel expense in the income statement and in liabilities. The total expense is recognized over the vesting period, which is the period over which the specified vesting conditions are to be satisfied.

Based on the vesting conditions, the Group revises its estimates of the number of shares expected to vest based on the balance sheet date. It recognizes the potential impact of the revision to original estimates in the income statement as a personnel expense, with the corresponding adjustment made to equity and liabilities at fair value.

Notes 5 and 32 provide information on share-based payment arrangements for key personnel and management board members.

INCOME TAXES

The tax expense for the period comprises current tax, adjustments prior tax periods and deferred tax. Tax is

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recognized in the income statement, except in the case it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated based on tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset in such cases, when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income taxes assets and liabilities relate to the income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Development costs are capitalized as intangible assets when it can be shown that a development project will generate probable future economic benefit, and the costs attributable to the development project can reliably be measured. Capitalized development costs are presented as a separate item and amortized over their useful lives of a maximum of eight years.

Other development costs that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in the subsequent periods.

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

Goodwill arises from business combinations. Goodwill represents the cost of an acquisition that exceeds the fair value of the Group's share of the net identifiable assets of the acquired subsidiary on 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 that have an indefinite useful life other than goodwill.

- 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 asset performed at regular intervals and identified as separate components are capitalized and depreciated over their useful lives.

Depreciation of an asset begins when it is available for use and it ceases at the moment that the asset is derecognized.

GOVERNMENT GRANTS

Government grants for investments are recognized a deduction from the carrying amount of these assets. The grants are recognized in the income statement as smaller depreciations over the asset's useful life. Government grants for 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 the Group's non-current assets and interest-bearing liabilities. In respect of the finance lease

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

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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.

Also the arrangements that are not leases in their legal form but convey the rights to use assets in return for a payment or series of payments are treated as leases.

INVENTORIES

Inventories are measured at the lower of cost and net realizable value. Costs are determined on a first-in first-out (FIFO) basis or by using a weighted average cost formula, depending on the nature of the inventory. The cost of finished goods and work in progress include the proportion of production overheads of the normal 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

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 the tax effect into account. 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 non-listed companies, the shareholdings in Pohjolan Voima Oy (PVO) and Teollisuuden Voima Oyj (TVO) representing the largest investments.

PVO and its subsidiary TVO comprise a private electricity-generating group owned by Finnish manufacturing and power companies, to which it supplies electricity at cost. PVO 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, G, H and M 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 PVO Group that entitles to the 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 forward electricity price quotations in Finland area published by the Nordic Electricity Exchange have 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. The discount rate has been calculated using the annually determined average weighted cost of capital.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

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Furthermore, PVO's B2-series shares entitling to electricity from a nuclear power plant under construction at Olkiluoto 3 are based on earlier transactions.

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 recognized in the financial expenses.

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.

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 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 at the initial 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, the changes in the fair value or cash flows of the hedged item. Hedge accounting is applied to hedging the interest rate risk and commodity risk. The hedge accounting model in use includes cash flow hedging.

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 is discontinued 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

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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 the description of how hedge effectiveness is assessed.

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.

TREASURY SHARES

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

PROVISIONS AND CONTINGENT LIABILITIES

Provisions for restructuring costs, personnel related costs, environmental obligations, legal claims and onerous contracts are 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 when there is a detailed and appropriate plan prepared for it and the implementation of the plan has begun or has been notified to those whom the restructuring concerns.

The amount recognized as a provision is the present value of the expenditure expected to be required to settle the obligation on the balance sheet date using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence of uncertain future events not wholly within the control of the Group or a present obligation that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured within sufficient reliability. Contingent liability is disclosed in the notes.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Depreciation on these assets discontinues at the time of classification. Non-current assets classified as held for sale is disclosed separately in the balance sheet.

A discontinued operation is a component of the Group that has either 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,
- it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- it is a subsidiary that has been acquired exclusively with a prospect of reselling.

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

IMPAIRMENT OF NON-FINANCIAL 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 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 a reporting segment. Goodwill impairment is tested by comparing the customer segment's recoverable amount with 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

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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 11 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 continuously evaluated and they are based on previous experience and other factors, such as expectations of future events that are expected to be reasonable under the circumstances.

Estimated impairment of goodwill

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.

Estimated fair value of investment in PVO Group

The Group's investments include non-listed shares, holdings in PVO 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 to factors such as electricity prices, the forecast period or the discount rate.

Defined benefit pensions

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.

Provisions

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.

Deferred income taxes

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.

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. The Paper segment offers products and services for pulp and paper industry, Municipal & Industrial segment serves for municipal and industrial customers and Oil & Mining segment for oil and mining industries.

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

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
1
2
3
4
5
6
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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. 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.

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.

2012	Paper	Municipal & Industrial	Oil & Mining	Other	Eliminations	Group total
Total segment revenue	1,002.0	686.6	321.1	231.2		**2,240.9**
Inter-segment revenue						**0.0**
Revenue from external customers	**1,002.0**	**686.6**	**321.1**	**231.2**		**2,240.9**
Operating profit	**55.2**	**–8.5**	**30.2**	**–45.2**		**31.7**
Finance costs, net						**–15.7**
Share of profit or loss of associates						**11.2**
Profit before tax						**27.2**
Income tax						**–5.7**
Net profit for the period						**21.5**
Depreciation and amortization	–48.4	–38.5	–11.7	–14.4		**–113.0**
Impairments and reversal of impairments	–2.5	–12.6	–0.7	–18.0		**–33.8**
Other non-cash items	–15.9	–16.8	–3.4	–16.1		**–52.2**
Capital expenditure	–66.4	–35.2	–15.9	–16.6		**–134.1**
OTHER SEGMENT INFORMATION						
Capital employed by segments (net)	754.0	343.7	158.0	220.9		**1,476.6**
Assets by segments	884.2	433.4	190.5	143.3		**1,651.4**
Investments in associates				122.8		**122.8**
Available-for-sale financial assets						**264.0**
Deferred income tax assets						**29.7**
Other investments						**9.8**
Defined benefit pension receivables						**43.6**
Other assets						**141.6**
Cash and cash equivalents						**132.8**
Non-current assets classified as held-for-sale						**93.3**
Total assets						**2,489.0**

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
1
2
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4
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2012	**Paper**	**Municipal & Industrial**	**Oil & Mining**	**Other**	**Eliminations**	**Group total**
Liabilities by segments	130.2	89.7	32.6	45.2		**297.7**
Interest-bearing non-current financial liabilities						**387.5**
Interest-bearing current financial liabilities						**277.2**
Other liabilities						**200.8**
Liabilities directly associated with the assets classified as held-for-sale						**11.0**
Total liabilities						**1,174.2**

2011	**Paper**	**Municipal & Industrial**	**Oil & Mining**	**Other**	**Eliminations**	**Group total**
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						
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

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
1
2
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4
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INFORMATION ABOUT GEOGRAPHICAL AREAS

Analysis of revenue by geographical area based on customer location

	2012	2011
Finland, domicile of the parent company	**312.7**	315.2
Other Europe, Middle East and Africa	**919.9**	938.2
North America	**689.4**	661.5
South America	**172.7**	164.1
Asia Pacific	**146.2**	128.2
Total	**2,240.9**	2,207.2

Analysis of non-current assets by geographical area

	2012	2011
Finland, domicile of the parent company	**783.5**	787.8
Other Europe, Middle East and Africa	**369.8**	502.7
North America	**265.3**	270.3
South America	**151.1**	160.8
Asia Pacific	**62.5**	31.6
Total	**1,632.2**	1,753.2

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 2012 or 2011.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
1
2
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4
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3. OTHER OPERATING INCOME

	2012	2011
Gains on sale of non-current assets	**0.1**	10.9
Rental income	**2.3**	1.9
Insurance compensation received	**2.5**	0.0
Consulting	**0.5**	0.0
Services	**2.6**	3.5
Sale of scrap and waste	**0.3**	0.2
Income from royalties, know-how and licenses	**0.6**	0.8
Other income from operations	**4.9**	5.2
Total	**13.8**	22.5

The gains on sale of property, plant and equipment in 2012 include EUR 0.1 million (EUR 9.9 million) gains on sale of subsidiaries, gains on sale of property and production facilities.

4. OPERATING EXPENSES

	2012	2011
Change in inventories of finished goods (inventory increase + / decrease –)	**–36.5**	22.6
Own work capitalized [1)]	**–2.0**	–2.6
Total	**–38.5**	20.0
Materials and services		
Materials and supplies		
Purchases during the financial year	**1,293.1**	1,191.2
Change in inventories of materials and supplies (inventory increase + / decrease –)	**–9.7**	2.8
External services	**11.5**	16.9
Total	**1,294.9**	1,210.9
Employee benefit expenses	**345.0**	288.5
Other operating expenses		
Rents	**47.4**	37.4
Loss on sales of property, plant and equipment	**0.1**	0.2
Other expenses	**427.3**	413.1
Total	**474.8**	450.7
Total operating expenses	**2,076.2**	1,970.1

[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 38.1 million (EUR 36.5 million) which includes received government grants. Received government grants in amount of EUR 4.3 million (EUR 5.9 million) reduce the research and development expenses.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
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2
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	Note	2012	2011
EMPLOYEE BENEFITS EXPENSES			
Wages and salaries			
Emoluments of Boards of Directors and Managing Directors		**8.3**	10.3
Wages		**260.8**	221.6
Share-based payments	5	**2.4**	3.7
Total		**271.5**	235.6
Indirect employee benefits expenses			
Pension expenses for defined benefit plans	23	**9.5**	0.0
Pension expenses for defined contribution plans		**28.5**	20.4
Other employee benefits costs		**35.5**	32.5
Total		**73.5**	52.9
Total employee benefits expenses		**345.0**	288.5

Kemira Oyj's CEO and the Board of Directors salaries and bonuses are disclosed in Note 32 Related parties.

AVERAGE NUMBER OF PERSONNEL BY GEOGRAPHICAL AREAS

	2012	2011
Europe, Middle East and Africa	**2,935**	2,919
North America	**1,359**	1,395
South America	**417**	412
Asia Pacific	**332**	280
Total	**5,043**	5,006
Personnel in Finland, average	**1,173**	1,145
Personnel outside Finland, average	**3,870**	3,861
Total	**5,043**	5,006
Personnel at year end	**4,857**	5,006

AUDITORS' FEES AND SERVICES

	2012	2011
Audit fees	**1.1**	1.1
Tax services	**0.0**	0.5
Other services	**0.1**	0.2
Total	**1.2**	1.8

Kemira's auditor KPMG Oy was replaced by Deloitte & Touche Oy after the Annual General Meeting on 21 March 2012.

Fees for services paid to auditing companies other than Kemira's auditor amounting to EUR 1.7 million (EUR 1.2 million) were mainly related to consultation, not to statutory audit.

Note
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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 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 payment is approximately 1.1-fold value of transferred shares. For the incentive plan of 2007, 2008, 2011 and 2012 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

Performance period	2009
Lock-up period of shares	2 years
Release date of shares	2012
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 (1,000)	131
Number of persons	61

Share-based incentive plan 2010

Performance period	2010
Lock-up period of shares	2 years
Release date of shares	2013
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 (1,000)	228
Number of persons	64

SHARE-BASED INCENTIVE PLANS FOR STRATEGIC MANAGEMENT BOARD MEMBERS

The Kemira Board of Directors has decided to establish a new share-based incentive plan that follows already terminated 2009–2011 plan aimed at the management board members for the years 2012–2014, as part of the company's incentive and commitment schemes. The delivery of share rewards within the plan is subject to the achievement of the performance targets set by the Board of Directors, which include both internal and external performance targets. The internal target setting is divided into three one-year performance periods: 2012, 2013, and 2014. Payment depends on achievement of the set intrinsic value targets calculated from the development of EBITDA and the development of the net debt. The program also includes a three-year external goal, which is tied to the relative total shareholder return (TSR) performance during 2012–2014.

The value of the aggregate reward paid out in the course of the three-year plan may not exceed 120% of CEO's and 100% of the other participants' gross salary for the same period. If the performance targets are achieved entirely, the maximum gross earning during the three-year plan is expected to be approximately 900,000 Kemira shares. The applicable taxes will be deducted from the gross earning and the remaining net value is delivered to the participants in Kemira shares.

Shares earned through the plan must be held for a minimum of two years following each payment. In addition, the management board members must retain fifty per cent of the shares obtained under the plan until their ownership of Kemira shares based on shares obtained through the share-based incentive programs of Kemira has reached a share ownership level which in value equals at least their gross annual salary for as long as they remain participants in the plan. For the incentive plans of 2011 and 2012 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 in public trading.

In addition to the share-based incentive plan aimed at the management board members, Kemira has a share-based incentive plan aimed at other key personnel, in which members of the management board will not participate.

Share-based incentive plan 2009

Performance period	2009
Lock-up period of shares	2 years
Release date of shares	2012
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 (1,000)	85
Number of persons	10

Share-based incentive plan 2010

Performance period	2010
Lock-up period of shares	2 years
Release date of shares	2013
Fair value of the reward paid as shares, EUR million	0.9
Fair value of the reward paid in cash, EUR million	0.9
Estimated realization on closing date, shares (1,000)	78
Number of persons	9

Note
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Long-term share-based incentive plan 2012–2014	
Performance period	2012–2014
Lock-up period of shares	2 years
Release date of shares	2017
Fair value of the reward paid as shares, EUR million	0.4
Fair value of the reward paid in cash, EUR million	0.4
Number of persons	12

The effect of share-based incentive plans on operating profit	Key personnel	Management board members	**2012 Total**	2011 Total
Share component	0.7	0.4	**1.1**	1.5
Cash component	0.9	0.4	**1.3**	2.2
Total	1.6	0.8	**2.4**	3.7

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	2012	2011
Amortization of intangible assets		
Other intangible assets	**10.5**	11.1
Development cost	**3.8**	3.8
Total	**14.3**	14.9
Depreciation of property, plant and equipment		
Buildings and structures	**20.1**	15.5
Machinery and equipment	**74.2**	66.9
Other tangible assets	**4.4**	1.8
Total	**98.7**	84.2
Impairment of intangible assets		
Goodwill	**19.5**	0.0
Other intangible assets	**0.0**	0.3
Total	**19.5**	0.3
Impairment of property, plant and equipment		
Land	**2.1**	0.0
Buildings and constructions	**8.0**	1.3
Machinery and equipment	**4.1**	0.6
Other tangible assets	**0.1**	0.0
Total	**14.3**	1.9
Total depreciation, amortization and impairment	**146.8**	101.3

In 2012, an impairment loss of EUR 33.8 million is recognized in relation to goodwill, other tangible assets and tangible assets. These impairment losses were mainly related to restructuring program "Fit for Growth" and goodwill impairment of EUR 18 million in Kemira ChemSolutions B.V. 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 11.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
1
2
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4
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7. FINANCE INCOME AND EXPENSES

	2012	2011
Finance income		
Dividend income	**7.8**	1.3
Interest income		
Interest income from loans and receivables	**1.4**	4.4
Interest income from financial assets at fair value through profit or loss	**4.8**	3.6
Other finance income	**1.1**	1.5
Total	**15.1**	10.8
Finance expenses		
Interest expenses		
Interest expenses from other liabilities	**–16.5**	–13.8
Interest expenses from financial assets at fair value through profit or loss	**–7.0**	–11.7
Other finance expenses [1]	**–7.3**	–7.6
Total	**–30.8**	–33.1
Exchange gains and losses		
Exchange gains and losses from financial assets and liabilities at fair value through profit or loss	**–16.8**	12.7
Exchange gains and losses from loans and other receivables	**–1.2**	–0.3
Exchange gains and losses from other liabilities	**18.0**	–11.0
Total	**0.0**	1.4
Total finance income and expenses	**–15.7**	–20.9
Net finance expenses as a percentage of revenue	**0.7**	0.9
Net interest as a percentage of revenue	**0.8**	0.8
Change in consolidated statement of comprehensive income from hedge accounting instruments		
Hedge of net investments in foreign entities [2]	**0.0**	0.4
Cash flow hedge accounting: Amount recognized in consolidated statement of comprehensive income	**–1.0**	–14.5
Total	**–1.0**	–14.1
Exchange differences		
Realized	**8.7**	–5.1
Unrealized	**–8.7**	6.5
Total	**0.0**	1.4

[1] Include ineffective portion of electricity hedge EUR –2.3 million (EUR –0.9 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 2012, EUR 0.0 million (EUR 0.3 million) has been recorded as income related to embedded derivatives.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
1
2
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8. INVESTMENTS IN ASSOCIATES

	2012	2011
Carrying value at beginning of year	**158.8**	139.5
Reclassification	**–12.7**	0.0
Paid-in-capital	**–26.8**	–11.7
Dividends received	**-7.7**	0.0
Share of profit (+) / loss (–)	**11.2**	31.0
Exchange differences	**0.0**	0.0
Carrying value at end of year	**122.8**	158.8

			Group holding %	
Name	Country	City	**2012**	2011
FC Energia Oy	Finland	Ikaalinen	**34.0**	34.0
FC Power Oy	Finland	Ikaalinen	**34.0**	34.0
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)

	2012	2011
Assets	**871.8**	888.7
Liabilities	**682.0**	460.1
Revenues	**701.8**	679.0
Profit (+) / loss (–) for the period	**28.7**	79.9

Transactions carried out with associates are disclosed in Note 32.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
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2
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9. INCOME TAXES

	2012	2011
Current tax	**–29.0**	–29.0
Taxes for prior years	**–0.3**	–1.8
Change in deferred taxes	**23.6**	2.7
Total	**–5.7**	–28.1

The reported tax rate was 21.0% (16.7%). The total taxes were slightly lower than the Finnish tax rate. In 2012 booked non-recurring items increased the reported tax rate. However, the change in deferred taxes decreased taxes materially. Subsidiaries still have tax losses EUR 58.7 million (EUR 43.3 million), which are not recognized any deferred tax benefits.

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

Reconciliation between tax expense and tax calculated at domestic tax rate

	2012	2011
Profit before taxes	**27.2**	168.4
Tax at parent's tax rate 24.5% (26%)	**–6.7**	–43.8
Foreign subsidiaries' different tax rate	**–7.4**	–5.0
Non-deductible expenses and tax-exempt profits	**–3.1**	–2.1
Share of profit or loss of associates	**2.8**	8.1
Tax losses	**–4.6**	–4.6
Tax for prior years	**–0.3**	1.8
Adjustment of deferred tax in respect of prior years	**14.3**	14.7
Change in Finnish tax rate	**0.0**	2.5
Change in Swedish tax rate	**–0.7**	0.0
Other	**0.0**	0.3
Total taxes	**–5.7**	–28.1

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

	2012			2011		
	Before tax	Tax charge (–)/ credit (+)	After tax	Before tax	Tax charge (–)/ credit (+)	After tax
Available-for-sale financial assets	**7.0**	**–1.5**	**5.4**	–33.5	9,4	–24.1
Exchange differences on translating foreign operations			**2.3**	–4.6		–4.6
Net investment hedge in foreign operations				0.4		0.4
Cash flow hedges	**–1.3**	**0.3**	**–1.0**	–19.7	5,2	–14.5
Other comprehensive income	**5.7**	**–1.2**	**6.7**	–57.4	14.6	–42.8

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
1
2
3
4
5
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10. EARNINGS PER SHARE

	2012	2011
Earnings per share, basic		
Profit attributable to equity owners of the parent	**16.8**	135.6
Weighted average number of shares [1]	**152,037,158**	151,994,165
Basic earnings per share, EUR	**0.11**	0.89
Earnings per share, diluted		
Profit attributable to equity owners of the parent	**16.8**	135.6
Weighted average number of shares [1]	**152,037,158**	151,994,165
Adjustments for:		
Treasury shares possibly subject to emission in share-based arrangement	**136,082**	158,156
Weighted average number of shares for diluted earnings per share	**152,173,240**	152,152,321
Diluted earnings per share, EUR	**0.11**	0.89

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

11. GOODWILL

	2012	2011
Cost at beginning of year	**618.4**	620.3
Disposal of subsidiaries	**0.0**	–0.8
Transferred to non-current asset classified as held-for-sale	**–75.0**	0.0
Exchange differences	**–7.0**	–1.1
Cost at end of year	**536.4**	618.4
Impairments at beginning of year	**–12.4**	–12.4
Impairments	**–19.5**	0.0
Transferred to non-current assets classified as held-for-sale	**18.0**	0.0
Impairments at end of year	**–13.9**	–12.4
Net book value at beginning of year	**606.0**	607.9
Net book value at end of year	**522.5**	606.0

In 2012, goodwill decreased by EUR 19.5 million which is mainly related to Kemira ChemSolutions B.V. A further net book amount of EUR 57.0 million transferred to held-for-sale relates to goodwill of Kemira ChemSolutions B.V.

In 2011, goodwill decreased by EUR 0.8 million because Kemira sold its Canadian hydrogen peroxide plant in Maitland and Oy Galvatek Ab.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
1
2
3
4
5
6
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GOODWILL IMPAIRMENT TESTS

The Group performed its annual impairment test for goodwill on September 30. Impairment tests for goodwill are also carried out 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 2012 (2011: no impairment).

Goodwill has been allocated at the level of 10 individual cash-generating units (2011: 10 CGUs). The customer segment has been defined as a cash-generating unit. The customer segment represents 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 reportable segment. The Group's four reportable segments are Paper, Municipal & Industrial, Oil & Mining and Other segments. A summary of the carrying amounts and goodwill to the Group's reportable segments is presented in the table below.

	December 31, 2012		December 31, 2011	
	Carrying amount	**of which goodwill**	Carrying amount	of which goodwill
Paper	**755**	**308**	638	310
Municipal & Industrial	**345**	**127**	317	133
Oil & Mining	**158**	**54**	109	54
Other	**48**	**34**	162	109
Total	**1,306**	**523**	1,226	606

THE KEY ASSUMPTIONS

LONG-TERM GROWTH RATE

The long-term growth rate used is purely for the impairment testing of goodwill. The assumptions of the long-term growth rate were used based on the Group's financial forecasts prepared and approved by the management covering the horizon of five years. 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.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35

DISCOUNT RATE

The discount rates applied was 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.

%	**2012**	2011
Paper	**8.1**	8.7
Municipal & Industrial	**7.7**	8.0
Oil & Mining	**8.0**	8.9
Other	**8.6**	8.9

SENSITIVITY ANALYSIS

The sensitivity analyses were made under the assumption that there would be a decline in the growth rate of cash flows' during and 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 the estimated cash flow or an increased of 1% in the discount rate would not result in any impairment losses to be recorded on the customer segment level. If the discount rate increased by 2%, we would have to record an impairment loss only to one customer segment. This impairment loss would constitute approximately 8% of the goodwill recorded in the Group.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
1
2
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12. OTHER INTANGIBLE ASSETS

2012	Internal generated development costs	Other intangible assets	Prepayments	Total
Cost at beginning of year	47.2	157.1	6.1	**210.4**
Additions		4.2	3.8	**8.0**
Decreases		–0.1		**–0.1**
Transferred to non-current assets classified as held-for-sale		–11.1		**–11.1**
Other changes		–0.9		**–0.9**
Reclassifications		5.4	–5.4	**0.0**
Exchange rate differences		0.1		**0.1**
Cost at end of year	47.2	154.7	4.5	**206.4**
Accumulated amortization at beginning of year	–30.2	–112.7		**–142.9**
Accumulated amortization relating to decreases and transfers				**0.0**
Amortization during the financial year	–3.8	–10.5		**–14.3**
Transferred to non-current assets classified as held-for-sale		10.6		**10.6**
Other changes		0.9		**0.9**
Exchange rate differences		–0.2		**–0.2**
Accumulated amortization at end of year	–34.0	–111.9		**–145.9**
Net book value at end of year	**13.2**	**42.8**	**4.5**	**60.5**

Other intangible assets transferred to non-current assets classified as held-for-sale amounts to EUR 0.5 million that are used by Kemira ChemSolutions B.V. See note 18 for further details regarding the held-for-sale.

2011	Internal generated development costs	Other intangible assets	Prepayments	Total
Cost at beginning of year	47.2	144.8	16.3	208.3
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
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

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note

1
2
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13. PROPERTY, PLANT AND EQUIPMENT

2012	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	52.8	393.7	1,136.6	31.4	58.1	**1,672.6**
Additions		4.9	52.2	4.3	73.9	**135.3**
Decreases	−1.7	−0.7	−7.3	−0.4		**−10.1**
Transferred to non-current assets classified as held-for-sale	−1.0	−14.9	−20.3	−0.1	−2.0	**−38.3**
Other changes		−2.3	−36.7	−1.8	−0.5	**−41.3**
Reclassifications	−0.1	9.1	7.9	0.1	−17.0	**0.0**
Exchange rate differences	0.6	2.9	4.1	−0.6	−1.5	**5.5**
Cost at end of year	50.6	392.7	1,136.5	32.9	111.0	**1,723.7**
Accumulated depreciation at beginning of year	−8.1	−215.4	−775.7	−17.4		**−1,016.6**
Accumulated depreciation relating to decreases and transfers	1.7	0.2	5.4			**7.3**
Depreciation during the financial year		−20.1	−74.2	−4.4		**−98.7**
Impairments	−2.1	−8.0	−4.1	−0.1		**−14.3**
Transferred to non-current assets classified as held-for-sale		8.4	12.6	0.1		**21.1**
Other changes		2.7	35.1	2.6		**40.4**
Exchange rate differences		−2.8	−4.7	0.5		**−7.0**
Accumulated depreciation at end of year	−8.5	−235.0	−805.6	−18.7		**−1,067.8**
Net book value at end of year	**42.1**	**157.7**	**330.9**	**14.2**	**111.0**	**655.9**

Property, plant and equipment transferred to non-current assets classified as held-for-sale amounts to EUR 17.2 million that are used by Kemira ChemSolutions B.V. See note 18 for further details regarding the held-for-sale.

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
Additions		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
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

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
1
2
3
4
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Prepayment and non-current assets under construction mainly comprises plant investments in China, India and Europe.

Finance lease assets

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

	2012	2011
Cost-capitalized finance leases	3.7	3.8
Accumulated depreciation	–1.6	–1.5
Net book amount	2.1	2.3

The Group leases buildings and constructions, machinery and equipment and other property, plant and equipment under finance lease agreements.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012	2011
Net book value at beginning of year	256.5	284.7
Additions	0.5	102.8
Disposals	0.0	–97.6
Change in fair value	7.0	–33.4
Exchange rate differences	0.0	0.0
Net book value at end of year	264.0	256.5

In 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. Tikkurila Oyj's shares listed on NASDAQ OMX Helsinki Oy.

The available-for-sale financial assets include the shares in Pohjolan Voima Group; their valuation principles are described in more detail in Kemira Group's accounting policies. Kemira Oyj owns 3.9% of Pohjolan Voima Oy and 1.0% of Teollisuuden Voima Oyj. The fair value of the shares is based on the discounted cash flow resulting from the difference between the market price and the production cost of electricity. The discount rate used to calculate the net present value at the year-end is an annually defined weighted average cost of capital. The discount rate in 2012 was 6%. A decrease 10% in the electricity market future price would decrease the fair value of shares by approximately 12%. An increase of 1% in the discount rate would decrease the fair value by approximately 7%.

The shares of Pohjolan Voima Group	Class of shares	Holding %	Class of assets	2012 Fair value	2011 Fair value
Pohjolan Voima Oy	A	5.0	water power	28.4	28.3
Pohjolan Voima Oy	B	3.0	nuclear power	59.8	57.7
Pohjolan Voima Oy	B2	6.8	nuclear power	81.2	81.2
Teollisuuden Voima Oyj	A	1.9	nuclear power	68.8	64.1
Other Pohjolan Voima Oy and Teollisuuden Voima Oyj	C, C2, G5, G6, H, M	several	several	24.4	23.8
Total				262.6	255.1

In December 2011, Kemira Oyj bought 2.5% of Pohjolan Voima Oy shares from Pension Fund Neliapila.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
1
2
3
4
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15. CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORIES

2012	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	14							
Available-for-sale financial assets					264.0		**264.0**	**264.0**
Current financial assets								
Receivables	17							
Interest-bearing receivables				0.3			**0.3**	**0.3**
Non-interest bearing receivables								
Trade receivables				292.2			**292.2**	**292.2**
Other receivables			3.4				**3.4**	**3.4**
Cash and cash equivalents	29		42.0	90.7			**132.7**	**132.7**
Total			45.4	383.2	264.0		**692.6**	**692.6**
Non-current financial liabilities								
Interest-bearing liabilities	20							
Loans from financial institutions						379.9	**379.9**	**386.8**
Other liabilities						7.6	**7.6**	**7.7**
Other liabilities						21.4	**21.4**	**21.4**
Current financial liabilities								
Interest-bearing liabilities	20							
Loans from financial institutions						52.8	**52.8**	**53.8**
Current portion of other non-current liabilities						10.8	**10.8**	**10.8**
Other liabilities						213.6	**213.6**	**213.6**
Non-interest bearing current liabilities	25							
Trade payables						157.6	**157.6**	**157.6**
Other liabilities		12.1	2.6				**14.7**	**14.7**
Total		12.1	2.6			843.7	**858.4**	**866.4**

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35

2011	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	14							
Available-for-sale financial assets					256.5		256.5	256.5
Current financial assets								
Receivables	17							
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 liabilities	20							
Loans from financial institutions						458.4	458.4	468.2
Other liabilities						6.0	6.0	6.0
Current financial liabilities								
Interest-bearing 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 current liabilities						170.2	170.2	170.2
Non-interest bearing 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

The available-for-sale financial assets included shares of the Group of Pohjolan Voima.

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.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

FAIR VALUE HIERARCHY	**2012 Level 1**	**Level 2**	**Level 3**	**Total net**	2011 Level 1	Level 2	Level 3	Total net
Available-for-sale financial assets			**264.0**	**264.0**			256.5	256.5
Currency investments		**1.7**		**1.7**		−1.7		−1.7
Interest rate instruments, hedge accounting		**−6.2**		**−6.2**		−4.9		−4.9
Interest rate instruments, no hedge accounting						−0.7		−0.7
Other instruments		**−6.7**		**−6.7**		−4.3		−4.3
Money market instruments	**7.1**	**34.9**		**42.0**	6.8	54.9		61.7
Total	**7.1**	**23.7**	**264.0**	**294.8**	6.8	43.3	256.5	306.6

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 2012**	Level 3 Total net 2011
Instrument		
Carrying value Jan 1	**256.5**	182.7
Effect on the statement of comprehensive income	**6.9**	−29.0
Purchased	**0.6**	102.8
Sold	**–**	–
Carrying value Dec 31	**264.0**	256.5

16. INVENTORIES

	2012	2011
Materials and supplies	**62.2**	78.0
Finished goods	**110.0**	144.7
Prepayments	**9.7**	5.5
Total	**181.9**	228.2

In the financial year, EUR 9.5 million (EUR 1.6 million) of inventory value was recognized as expense in order to decrease the book values of inventories to correspond with their net realizable value.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
1
2
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17. RECEIVABLES

	2012	2011
Interest-bearing receivables		
Loan receivables	0.3	0.5
Trade and other receivables		
Trade receivables	292.2	300.0
Prepayments	6.5	9.0
Accrued income	31.7	33.1
Other receivables	22.7	49.1
Total trade and other receivables	353.1	391.2

Items that are due in a time period longer than one year include trade receivables of EUR 0.6 million (EUR 2.4 million), prepayments of EUR 0.0 million (EUR 0.1 million), prepaid expenses and accrued income of EUR 2.0 million (EUR 2.8 million), non-interest bearing receivables of EUR 0.2 million (EUR 0.0 million) and loan receivables of EUR 0.1 million (EUR 0.1 million).

18. NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

The assets and liabilities related to ChemSolutions B.V. have been presented as held-for-sale in the Financial Statement 2012 due to a sales agreement signed on December 14, 2012. Based on the sale agreement Kemira sells its food and pharmaceutical businesses together with its acetate based chemicals business to Niacet (Niagara Falls, USA). These businesses are a part of Kemira's ChemSolutions business. All shares of Kemira ChemSolutions B.V., including the manufacturing site in Tiel (Netherlands), will be transferred from Kemira to Niacet Corp. The other businesses of the ChemSolutions business, including the chemical, feed and de-icing business, which are linked to Kemira's formic acid production in Oulu (Finland), will stay within Kemira. The transaction is expected to be closed in the first quarter 2013.

ASSETS CLASSIFIED AS HELD-FOR-SALE

	2012	2011
Goodwill	57.0	0.0
Intangible assets	0.5	0.0
Property, plant and equipment	17.2	0.0
Inventories	6.8	0.0
Other current assets	11.8	0.0
Total	93.3	0.0

LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD-FOR-SALE

	2012	2011
Trade payables and other liabilities	7.7	0.0
Other current liabilities	3.3	0.0
Total	11.0	0.0

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
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2
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19. CAPITAL AND RESERVES

CHANGES IN NUMBER OF SHARES AND SHARE CAPITAL

	Number of shares outstanding (1,000)	Share capital
January 1, 2011	151,735	221.8
Treasury shares issued to key personnel and 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
January 1, 2012	152,030	221.8
Treasury shares issued to key personnel and management board members	0	
Treasury shares issued to the Board of Directors	11	
Acquisition of treasury shares	0	
Shares from the share-based arrangement given back	0	
December 31, 2012	**152,041**	**221.8**

Kemira Oyj has one class of shares. Each share entitles its holder to one vote at General Meeting. On December 31, 2012, the share capital was EUR 221.8 million and the total number of shares issued was 155,342,557 including 3,301,769 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 of 2001. This reserve is based on the old Finnish Companies Act (734/1978), which does not change anymore.

FAIR VALUE RESERVES

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

Other reserves originate from local requirements of subsidiaries. On December 31, 2012, other reserves was EUR 4.3 million (4.2).

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.

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.

TREASURY SHARES

Kemira had in its possession 3,301,769 of its treasury shares on December 31, 2012. 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.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

OTHER COMPREHENSIVE INCOME IN THE STATEMENT OF CHANGES IN EQUITY

	ATTRIBUTABLE TO OWNERS OF THE PARENT									
Year ended 31 December 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 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

	ATTRIBUTABLE TO OWNERS OF THE PARENT									
Year ended 31 December 2012	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							16.8	**16.8**	4.7	**21.5**
Other comprehensive income										
Available-for-sale financial assets			5.4					**5.4**		**5.4**
Exchange differences on translating foreign operations					1.6			**1.6**	0.7	**2.3**
Cash flow hedges			–1.0					**–1.0**		**–1.0**
Other comprehensive income for the period, net of tax			**4.4**		**1.6**			**6.0**	**0.7**	**6.7**
Total comprehensive income for the period			**4.4**		**1.6**		**16.8**	**22.8**	**5.4**	**28.2**

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35

20. INTEREST-BEARING LIABILITIES

	2012	2011
Interest-bearing current liabilities		
Loans from financial institutions	**52.8**	49.5
Current portion of other non-current loans	**10.8**	17.2
Finance lease liabilities	**1.1**	1.2
Other interest-bearing current liabilities	**212.5**	169.2
Total interest-bearing current liabilities	**277.2**	237.1
Interest-bearing non-current liabilities		
Loans from financial institutions	**379.9**	458.5
Other non-current liabilities from others	**7.6**	6.0
Total	**387.5**	464.5
Non-current interest-bearing liabilities maturing in		
2014 (2013)	**56.5**	113.5
2015 (2014)	**112.2**	72.2
2016 (2015)	**33.5**	86.6
2017 (2016)	**56.8**	33.5
2018 (2017) or later	**128.5**	158.7
Total	**387.5**	464.5
Interest-bearing liabilities maturing in five years or over a longer period of time		
Loans from financial institutions	**128.5**	158.7
Total	**128.5**	158.7

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

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

Net liabilities		
Interest-bearing non-current liabilities	**387.5**	464.5
Interest-bearing current liabilities	**277.2**	237.1
Cash and cash equivalents	**–132.7**	–185.8
Total	**532.0**	515.8

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
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21. FINANCE LEASE LIABILITIES

	2012	2011
Maturity of minimum lease payments		
No later than 1 year	**0.9**	1.0
1–5 years	**0.2**	0.2
Later than 5 years	**–**	–
Total minimum lease payments	**1.1**	1.2
Present value of finance lease liabilities		
Total minimum lease payments	**0.9**	1.2
Future finance charges on finance leases	**0.0**	0.0
Present value of finance lease liabilities	**0.9**	1.2
Maturity of the present value of finance lease liabilities		
No later than 1 year	**0.9**	1.0
1–5 years	**0.2**	0.2
Later than 5 years	**–**	–
Total present value of finance lease liabilities	**1.1**	1.2

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
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22. DEFERRED INCOME TAX LIABILITIES AND ASSETS

	January 1, 2012	Recognized in the income statement	Recognized in other comprehensive income	Recognized in equity	Exchange rate differences	**December 31, 2012**
Deferred tax liabilities						
Depreciation difference and untaxed reserves	58.5	−9.5			0.6	**49.6**
Available-for-sale financial assets	29.6	0.2	1.7			**31.5**
Pensions	10.3	0.3				**10.6**
Fair value adjustments of net assets acquired [1)]	4.4	−0.9				**3.5**
Other	33.9	−28.2		−2.3		**3.4**
Total	136.7	−38.1	1.7	−2.3	0.6	**98.6**
Deferred tax assets deducted	−50.2					**−54.8**
Total deferred tax liabilities in the balance sheet	86.5					**43.8**
Deferred tax assets						
Provisions	5.6	−0.2				**5.4**
Tax losses	48.1	−3.8			−0.2	**44.1**
Pensions	2.6	0.7			0.1	**3.4**
Other	41.2	−10.7	0.3	0.6	0.2	**31.6**
Total	97.5	−14.0	0.3	0.6	0.1	**84.5**
Deferred tax liabilities deducted	−50.2					**−54.8**
Total deferred tax assets in the balance sheet	47.3					**29.7**

[1)] The identifiable assets acquired and liabilities assumed in a business combination are recognized at their fair values. The resulting deferred taxes affect goodwill.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
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	January 1, 2011	Recognized in the income statement	Recognized in other comprehensive income	Recognized in equity	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 adjustments of net assets acquired [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	-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				0.0
Other	2.5	38.7				41.2
Total	71.3	26.3			−0.1	97.5
Deferred tax liabilities deducted	-27.6					−50.2
Total deferred tax assets in the balance sheet	43.7					47.3

[1)] The identifiable assets acquired and liabilities assumed in a business combination are recognized at their fair values. The resulting deferred taxes affect goodwill.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
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23. PENSION OBLIGATIONS

The 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 the Group's pension fund Neliapila is arranged in Finland through a defined benefit plan.

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.

	2012	2011
The amounts recognized in the balance sheet		
Liabilities for defined contribution plans	**0.0**	0.4
Liabilities for defined benefit plans	**54.9**	52.0
Liabilities in the balance sheet	**54.9**	52.4
Assets for defined benefit plans	**–43.6**	–44.3
Net recognized assets (–) / liabilities (+) in the balance sheet	**11.3**	8.1
Defined benefit plans		
The amounts recognized in the balance sheet		
Liabilities for defined benefit plans	**54.9**	52.0
Assets for defined benefit plans	**–43.6**	–44.3
Net recognized assets (–) / liabilities (+) recognized in the balance sheet	**11.3**	7.7
The amounts recognized in the balance sheet – defined benefit plans		
Present value of funded obligations	**388.7**	311.4
Present value of unfunded obligations	**66.0**	54.7
Defined benefit obligations	**454.7**	366.1
Fair value of plan assets	**–392.2**	–355.6
Surplus (–) / Deficit (+)	**62.5**	10.5
Unrecognized past service cost	**–0.4**	–0.4
Unrecognized actuarial losses and gains	**–59.1**	–7.3
Effect of the limit in IAS 19.58	**8.3**	4.9
Net recognized assets (–) / liabilities (+) in the balance sheet	**11.3**	7.7
The amounts recognized in the income statement		
Defined benefit plans	**9.5**	0.0
The movement in the defined benefit obligation over the year		
Defined benefit obligation at January 1	**366.1**	358.1
Current service cost	**4.8**	4.7
Interest cost	**16.7**	16.6
Actuarial losses (+) / gains (–)	**81.1**	4.3
Exchange differences	**3.8**	0.9
Effect of business combinations and divestments	**0.0**	–1.1
Benefits paid	**–20.3**	–18.3
Curtailments and settlements	**2.5**	0.0
Past service cost	**0.0**	0.9
Defined benefit obligation at December 31	**454.7**	366.1

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
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	2012	2011
The movement in the fair value of plan assets for the year		
Fair value at January 1	**355.6**	382.9
Expected return on plan assets	**16.9**	18.8
Employer contributions	**7.1**	5.7
Actuarial losses (+) / gains (–)	**33.4**	–32.7
Exchange differences	**–0.2**	0.2
Effect of business combinations and divestments	**0.0**	–0.1
Benefits paid	**–20.3**	–18.3
Settlements	**–0.3**	–0.9
Fair value at December 31	**392.2**	355.6
The amounts recognized in the income statement – defined benefit plans		
Current service cost	**4.8**	4.7
Interest cost	**16.7**	16.6
Expected return on plan assets	**–16.9**	–18.8
Past service cost	**0.0**	0.9
Actuarial losses (+) / gains (–)	**5.4**	–3.4
Effect of the limit in IAS 19.58	**–3.4**	–0.6
Curtailments	**2.9**	0.6
Total included in employee benefits	**9.5**	0.0

The actual return on plan assets was EUR 50.3 million (EUR –13.9 million).

The principal actuarial assumptions used, %

	2012	2011
Discount rate	**3.0–4.7**	3.3–5.7
Expected return on plan assets	**4.0–7.5**	4.1–7.5
Inflation rate	**1.5–3.0**	2.0–3.0
Future salary increases	**1.0–3.1**	2.0–4.0
Future pension increases	**1.3–3.3**	0.7–3.8
Plan assets are comprised as follows:		
Shares	**122.3**	164.0
Interest rate investments	**71.1**	54.9
Assets in the insurance companies [1)]	**183.5**	121.6
Kemira Oyj´s shares	**1.4**	1.1
Property occupied by the Group	**14.0**	14.0
Total assets	**392.2**	355.6

[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.

Expected contributions to defined benefit plans for the year ended December 31, 2013, are EUR 5.8 million.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
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	2012	2011	2010	2009	2008
Present value of defined benefit obligation	**454.7**	366.1	358.3	367.2	412.2
Fair value of plan assets	**392.2**	355.6	382.9	363.6	427.8
Surplus (–) / Deficit (+)	**62.5**	10.5	–24.6	3.6	–15.6
Experience adjustments on plan liabilities	**1.7**	4.2	–0.3	0.1	–3.4
Experience adjustments on plan assets	**–19.3**	–31.6	36.2	31.6	–88.2

24. PROVISIONS

	Personnel related provisions	Restructuring provisions	Environmental and damage provisions	Other provisions	**2012**
Non-current provisions					
At beginning of year	1.1	2.3	12.8	34.1	**50.3**
Exchange rate differences			0.1		**0.1**
Additional provisions and increases in existing provisions	3.8	0.2	5.1		**9.1**
Used during the financial year		–0.6	–3.2		**–3.8**
Unused amounts reversed					**0.0**
Reclassification		0.2		–34.1	**–33.9**
At end of year	**4.9**	**2.1**	**14.8**	**0.0**	**21.8**
Current provisions					
At beginning of year	0.7	1.7	1.9	2.0	**6.3**
Exchange rate differences				–0.2	**–0.2**
Additional provisions and increases in existing provisions	10.8	7.9	2.4	0.2	**21.3**
Used during the financial year	–3.5	–0.4	–1.0	0.0	**–4.9**
Unused amounts reversed			1.6	–0.1	**1.5**
Reclassification	0.1	–0.3			**–0.2**
At end of year	**8.1**	**8.9**	**4.9**	**1.9**	**23.8**

	2012	2011
Analysis of total provisions		
Non-current provisions	**21.8**	50.3
Current provisions	**23.8**	6.3
Total	**45.6**	56.6

In 2012, increase in personnel related and restructuring provisions relate mainly to restructuring program "Fit for Growth", to improve Kemira's profitability, its internal efficiency and to accelerate the growth in emerging market. The restructuring program resulted in the reduction of total of approximately 500 jobs. Other costs attributable to the restructuring including factory closures. These costs were fully provided for in 2012. The provision is expected to be fully utilized during year 2013.

Other non-current provisions decreased by EUR 34.1 million in relation to the establishment of an associate and its items reclassification. There is more information about environmental provisions in Note 31, Environmental risks and liabilities.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
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25. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2012	2011
Trade payables and other current liabilities		
Prepayments received	**0.9**	2.0
Trade payables	**157.6**	191.5
Accrued expenses	**128.9**	149.7
Other non-interest bearing current liabilities	**28.1**	40.6
Total trade payables and other current liabilities	**315.5**	383.8
Accrued expenses		
Employee benefits	**32.6**	33.0
Items related to revenues and purchases	**53.4**	67.3
Interest	**9.2**	9.3
Exchange rate differences	**1.7**	6.7
Other	**32.0**	33.4
Total accrued expenses	**128.9**	149.7

26. SUPPLEMENTARY CASH FLOW INFORMATION

	2012	2011
Disposal of subsidiaries		
Proceeds from the disposals	–	1.5
Cash and cash equivalent in disposed companies	–	0.2
Total cash flow on disposals of subsidiaries	–	1.7
Assets and liabilities disposed of		
Net working capital	–	1.9
Property, plant and equipment	–	0.4
Available-for-sale investment	–	0.1
Interest-bearing receivables, excluding cash and cash equivalents	–	–1.0
Other non-interest bearing receivables	–	0.0
Interest-bearing liabilities	–	–1.0
Non-interest bearing liabilities	–	–0.3
Total assets and liabilities of disposed subsidiaries	–	0.1

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

27. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Acquisition of additional interest in the subsidiary of Kemira Chemicals (Yanzhou) Co., Ltd. (former Kemira Tiancheng Chemicals Co., Ltd)

In 2011, 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.

28. DERIVATIVE INSTRUMENTS

Nominal values

	2012			2011		
	< 1 year	**> 1 year**	**Total**	< 1 year	> 1 year	Total
Currency instruments						
Forward contracts	**611.2**	**–**	**611.2**	554.6	–	554.6
Interest rate instruments						
Interest rate swaps	**17.4**	**155.8**	**173.2**	80.0	133.5	213.5
of which cash flow hedges	**17.4**	**155.8**	**173.2**	60.0	133.5	193.5
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)	**538.8**	**762.3**	**1,301.1**	509.5	582.6	1,092.1
of which cash flow hedges (GWh)	**538.8**	**718.5**	**1,257.3**	509.5	582.6	1,092.1
Salt derivatives (k tons)	**–**	**–**	**–**	53.3	–	53.3

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.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35

Fair values

	2012 Assets gross	2012 Liabilities gross	2012 Total net	2011 Assets gross	2011 Liabilities gross	2011 Total net
Currency instruments						
Forward contracts	3.4	–1.7	1.7	5.0	–6.7	–1.7
Interest rate instruments						
Interest rate swaps	-	–6.2	–6.2	–	–5.3	–5.3
of which cash flow hedges	-	–6.2	–6.2	–	–4.9	–4.9
Bond futures	-	–0.1	–0.1	–	–0.3	–0.3
of which open	-	–0.1	–0.1	–	–0.3	–0.3
Other instruments						
Electricity forward contracts, bought	–	–6.7	–6.7	–	–4.6	–4.6
of which cash flow hedges	–	–5.9	–5.9	–	–4.6	–4.6
Salt derivatives	–	–	–	0.3	–	0.3

Fair values

	2012 Assets gross < 1 year	2012 Assets gross > 1 year	2012 Liabilities gross < 1 year	2012 Liabilities gross > 1 year	2011 Assets gross < 1 year	2011 Assets gross > 1 year	2011 Liabilities gross < 1 year	2011 Liabilities gross > 1 year
Currency instruments								
Forward contract	3.4	–	–1.7	–	5.0	–	–6.7	–
Interest rate instruments								
Interest rate swaps	–	–	–0.2	–6.0	0.1	–	–0.6	–4.8
of which cash flow hedges	–	–	–0.2	–6.0	0.1	–	–0.2	–4.8
Bond futures	–	–	–0.1	–	–	–	–	–0.3
of which open	–	–	–0.1	–	–	–	–	–0.3
Other instruments								
Electricity forward contracts, bought	0.2	–	–4.3	–2.6	0.2	–	–3.3	–1.5
of which cash flow hedges	0.2	–	–4.3	–1.8	0.2	–	–3.3	–1.5
Salt derivatives	–	–	–	–	0.3	–	–	–

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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 the market values and risks of which 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 the Swedish krona and the Canadian dollar. At the end of the year the denominated exchange rate risk of the Swedish krona had an equivalent value of approximately EUR 43 million (EUR 40 million), the average hedging rate being 45% (33%). The CAD denominated exchange rate risk had an equivalent value of approximately EUR 26 million (EUR 19 million) the average hedging rate being 50% (42%). Kemira is exposed to smaller transaction risks in relation to the U.S. dollar, UK pound and Norwegian krona with the annual exposure in those currencies being approximately EUR 50 million.

Kemira mainly uses forwards and currency options in hedging against foreign exchange risks. The table below shows an estimate of the largest group-level foreign currency cash flow risks.

Transaction and translation exposure, EUR million	2012				2011			
	SEK	**CAD**	**USD**	**Other**	SEK	CAD	USD	Other
Operative cash flow forecast [1]	**–43.3**	**26.0**	**11.7**	**70.1**	–39.9	18.6	27.8	55.4
Loans, net	**18.2**	**–**	**208.0**	**49.5**	17.4	–17.1	128.9	42.0
Derivatives, transaction hedging	**25.1**	**–11.4**	**–12.1**	**33.3**	11.2	–12.1	–11.6	–25.0
Derivatives, translation hedging	**–**	**–**	**–182.0**	**–50.2**	–	13.5	–136.4	–52.0
Total	**0.0**	**14.6**	**25.6**	**102.7**	–11.3	2.9	8.7	20.4

[1] Based on 12 months operative cash flow forecast

At the turn of 2012/2013, the foreign currency operative cash flow forecast for 2013 was EUR 150 million of which 55% was hedged (41%). 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 10 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 the US dollar, Swedish krona, Canadian dollar and Brazilian real.

Kemira's main equity items denominated in foreign currencies are in the Swedish krona, US dollar and 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. 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. Long term loans are primarily used for hedging of net investment. These hedges apply without hedge accounting.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

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 16 months at the end of 2012 (17 months). Excluding the interest rate derivatives, the duration was 7 months (8 months). At the end of 2012, 56% of the Group's entire net debt portfolio, including derivatives and pension loans, consisted of fixed-interest borrowings (58%). The net financing cost of the Group was 3.5% (3.9%). 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 1.6%.

Fixed-interest financial assets and liabilities are exposed to price risks arising from changes in interest rates. Floating rate of the financial assets and liabilities, the interest rate of which 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, 2012	< 1 year	1–5 years	> 5 years	Total
Floating net liabilities	**232**			**232**
Fixed net liabilities	**17**	**211**	**72**	**300**
Total	**249**	**211**	**72**	**532**

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

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 would rise by one percentage point on January 1, 2013, the resulting interest expenses before taxes incurred by the Group over the next 12 months would increase by about EUR 2.1 million (EUR 2.9 million). During 2013, Kemira will reprice 55% (64%) 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 −6.2 million (EUR -5.3 million). All 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 Group's accounting policies section describes the Group policy regarding hedge accounting. One percentage point increase in interest rates would result in a positive impact of EUR 0.6 million (EUR 0.6 million) in equity (before taxes) from hedge accounting interest rate swaps.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
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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 hedged by making agreements with Finland area, mainly in HELEUR amounts and Sweden area, mainly in MALSEK amounts, which is located in the largest consumption in Sweden. The majority of outstanding electricity derivatives are treated in accordance with cash flow hedge accounting, as discussed above. The forecast for physical deliveries of the underlying asset, or purchases, are not recorded until the delivery period. A 10% change in the market price of electricity hedging contracts would impact the valuation of these contracts EUR +/–5.3 million (EUR +/–12.7 million).

Kemira's salt purchase agreement for years 2010–2012 included an embedded derivative. The variable pricing component was dependent on the development of LFSO (Low Sulphur Fuel Oil) index in euros, thus there was 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 that are financial institutions with a good credit rating as well as by spreading agreements among them.

The Group Treasury approves the new banking relationships of subsidiaries. At present, there are 11 approved financial institution counterparties used by the Group Treasury, all of which have a credit rating of at least A, based on Standard & Poor's credit rating information. The maximum risk assignable to the Group's financial institution counterparties on the balance sheet date amounted to EUR 136.1 million on the balance sheet date (EUR 189.8 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. The 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 25 million for a period of up to six months.

Kemira has a Group wide credit policy in place. Products are sold on open account only to companies the credit information of which does not indicate payment irregularities. The Group does not have any significant credit risk concentrations because of its extensive customer base 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 2012 is shown in the following table.

Ageing of trade receivables	**2012**	2011
Undue trade receivables	**247.7**	250.5
Trade receivables 1–90 days overdue	**43.4**	46.0
Trade receivables more than 91 days overdue	**1.1**	3.5
Total	**292.2**	300.0

Impairment loss of trade receivables amounted to EUR 3.3 million (EUR 3.2 million).

Note
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LIQUIDITY AND REFINANCING RISKS

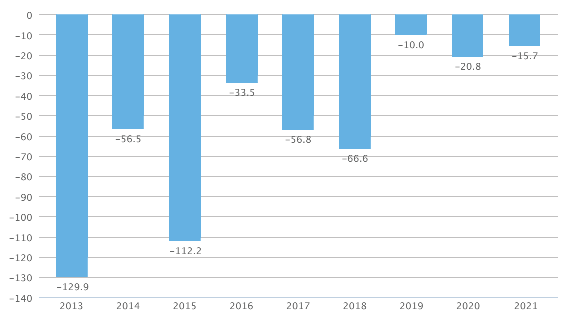
In order to safeguard its liquidity, the Group uses account overdrafts, money market investments and a revolving credit facility. The Group's cash and cash equivalents at the end of 2012 stood at EUR 132.7 million (EUR 185.8 million), of which short-term investment accounted for EUR 42.0 million (EUR 61.7 million) and bank deposits EUR 90.7 million (EUR 124.1 million).

The Group diversifies its refinancing risk by raising financing from various sources. The Group has bank 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 2012 was 3.4 years.

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 2012 the amount raised from commercial paper markets was EUR 193.6 million. Simultaneously the group had EUR 132.7 million of outstanding liquid short- and long-term investments. In addition, the Group has EUR 300 million revolving credit facility, which matures in June 2016. At the turn of the year 2012/2013 revolving credit facility was undrawn. 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, EUR million



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 2012 (EUR 0.53), corresponding to a dividend payout ratio of 482% (59%). The long-term objective is to distribute 40%-60% of the net operating income in dividends to the shareholders.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
1
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	2012	2011
Interest-bearing liabilities	**664.7**	701.6
Cash and cash equivalents	**132.7**	185.8
Interest-bearing net liabilities	**532.0**	515.8
Equity	**1,314.8**	1,370.8
Total assets	**2,489.0**	2,676.5
Gearing	**40%**	38%
Equity ratio	**53%**	51%

CASH AND CASH EQUIVALENTS

	2012		2011	
	Book value	**Fair value**	Book value	Fair value
Cash and cash equivalents	**90.7**	**90.7**	124.1	124.1
Money market investments	**34.9**	**34.9**	54.9	54.9
Investments for the interest funds	**7.1**	**7.1**	6.8	6.8
Total	**132.7**	**132.7**	185.8	185.8

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

	Dec 31, 2012		Maturity					
	Fair value	**Book value**	2013	2014	2015	2016	2017	2018–
EUR	**227.5**	**219.1**	12.2	24.2	78.8	24.6	24.6	54.7
USD	**185.1**	**186.4**	51.4	32.3	10.7	8.9	32.2	50.9
Other	**46.5**	**45.6**	–	–	22.7	–	–	22.9
Total	**459.1**	**451.1**	63.6	56.5	112.2	33.5	56.8	128.5

Currency

	Dec 31, 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

The figures include the amortizations planned for 2013 (2012) excluding commercial papers, finance lease liabilities and other current loans.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

CASH FLOW FROM ALL FINANCIAL LIABILITIES

Loan type

	Dec 31, 2012		Maturity					
	Drawn	**Undrawn**	2013	2014	2015	2016	2017	2018–
Long-term interest bearing liabilities	**451.1**		63.6	56.5	112.2	33.5	56.8	128.5
financial expenses			1.0	0.9	1.8	0.5	0.9	2.1
Revolving credit facility	**0.0**	**300.0**						
financial expenses								
Finance lease liabilities	**1.1**							
financial expenses			0.1					
Commercial paper program	**193.6**	**406.4**	193.6					
financial expenses			0.8					
Other interest-bearing current loans	**18.9**		18.9					
financial expenses			0.5					
Interest-bearing loans	**664.7**	**706.4**	278.5	57.4	114.0	34.0	57.7	130.6
Trade payables	**157.6**							
Forward contracts								
liabilities	**611.2**		611.2					
assets	**−612.9**		−612.9					
Other derivatives [1]	**13.0**		4.6	2.7	2.7	2.8	0.2	
Trade payables and derivatives	**168.9**		2.9	2.7	2.7	2.8	0.2	
Total	**833.6**	**706.4**	281.4	60.1	116.7	36.8	57.9	130.6
Guarantees			2.7					

Loan type

	Dec 31, 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	158.8
financial expenses			1.4	2.3	1.5	1.8	0.7	3.2
Revolving credit facility	0.0	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	162.0
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	162.0
Guarantees			4.4					

[1] Interest rate swaps, currency swaps and electricity and salt forwards.

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35

30. COMMITMENTS AND CONTINGENT LIABILITIES

	2012	2011
LOANS SECURED BY MORTGAGES IN THE BALANCE SHEET AND FOR WHICH MORTGAGES ARE GIVEN AS COLLATERAL		
Loans from financial institutions	**0.0**	0.3
Mortgages given	**0.5**	0.5
CONTINGENT LIABILITIES		
Assets pledged		
On behalf of own commitments	**6.6**	6.3
Guarantees		
On behalf of own commitments	**52.9**	48.9
On behalf of associates	**0.7**	0.7
On behalf of others	**3.0**	4.4
Operating lease commitments - the Group as lessee		
Minimum lease payments under operating leases are as follows:		
No later than 1 year	**29.0**	27.8
Later than 1 year and no later than 5 years	**63.2**	61.8
Later than 5 years	**69.2**	84.2
Total	**161.4**	173.8
Other obligations		
On behalf of own commitments	**1.3**	1.3
On behalf of associates	**1.0**	1.4

THE MOST SIGNIFICANT OFF-BALANCE SHEET INVESTMENTS COMMITMENTS

Major amounts of contractual commitments for the acquisition of property, plant and equipment on December 31, 2012 were about EUR 21.6 million (EUR 14.5 million) for plant investment in China, India and Europe.

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.

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35

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 observes established internal environmental principles and procedures. Divestments and acquisitions did not change the Group's environmental liabilities considerably. Provisions for environmental remediation totaled EUR 19.7 million (EUR 14.7 million). The increase is mainly explained by additional clean-up work required by the authorities on one site in the United States and one in Brazil. The biggest 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 has been stopped since August 2011 because of the work safety risks, and an application concerning 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 and one in Finland plant. At Group level, the allowances showed a net deficit of 29,139 tons (a net deficit of 31,085 tons in 2011).

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
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32. RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party, or exercise significant influence, or exercise joint control in making financial and operating decisions. The Group's related parties include the parent company, subsidiaries, associates, joint-ventures and Pension Fund Neliapila. 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.

EMPLOYEE BENEFITS OF CEO, DEPUTY CEO AND OTHER MEMBERS OF KEY MANAGMENT

	Wages, salaries and other benefits, EUR	Bonuses, EUR	Share–based payments, EUR	**2012**	2011
CEO Wolfgang Büchele (since April 1, 2012)	655,605	0	0	**655,605**	0
CEO Harri Kerminen (until March 31, 2012)	370,003	136,634	0	**506,637**	1,409,719
Deputy CEO Jyrki Mäki-Kala	244,079	29,186	0	**273,265**	513,847
Other members of key management	1,910,533	188,002	0	**2,098,535**	3,834,096

Share-based incentive plans for the key management are disclosed in Note 5.

MANAGEMENT'S PENSION COMMITMENTS AND TERMINATION BENEFITS

Wolfgang Büchele has been appointed Kemira Oyj's CEO as of April 1, 2012, the date Kemira's previous CEO Harri Kerminen retired. Jyrki Mäki-Kala is Kemira's deputy CEO.

CEO Wolfgang Büchele belongs to the Finnish Employees' Pension Act (TyEL) scheme, which provides pension security based on the years of service and earnings as stipulated by law. CEO's retirement age is 63. CEO does not have a supplementary pension arrangement.

A twelve-month period of notice applies to both sides for CEO. In addition to the salary of the notice period, CEO is not entitled to a separate severance pay.

THE BOARD OF DIRECTORS' EMOLUMENTS

Based on the decision at the Annual General Meeting on March 21, 2012, the annual fee is paid as a combination of the shares and cash in such manner that 40% of the annual fee is paid with company's shares, if this is not possible, 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 January 1–March 31, 2012.

The meeting fees paid in cash and travel expenses are paid according to Kemira's travel policy.

MEMBERS OF THE BOARD OF DIRECTORS

	Number of shares	Share value, EUR	Cash compensation, EUR	**2012 Total, EUR**	2011 Total, EUR
Jukka Viinanen, Chairman (since March 21, 2012)	3,064	28,609	54,533	**83,142**	56,711
Pekka Paasikivi, Chairman (until March 21, 2012)			2,400	**2,400**	81,924
Jari Paasikivi, Vice Chairman (since March 21, 2012)	1,863	17,395	36,926	**54,321**	
Elizabeth Armstrong	1,491	13,922	60,255	**74,177**	59,768
Wolfgang Büchele (until March 21, 2012)			3,600	**3,600**	51,368
Winnie Fok	1,491	13,922	53,055	**66,977**	47,768
Juha Laaksonen	1,491	13,922	32,655	**46,577**	45,368
Kaija Pehu-Lehtonen (until March 21, 2011)					1,800
Kerttu Tuomas	1,491	13,922	30,255	**44,177**	42,968

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35

TRANSACTIONS CARRIED OUT WITH RELATED PARTIES

	2012	2011
Sales		
Associated companies	**44.0**	56.0
Purchases		
Associated companies	**5.5**	4.7
Pension Fund Neliapila	**1.1**	3.7
Total	**6.6**	8.4
Receivables		
Associated companies	**0.1**	4.6
Pension Fund Neliapila	**0.0**	0.2
Total	**0.1**	4.8
Liabilities		
Associated companies	**0.5**	0.3
Pension Fund Neliapila	**0.3**	0.2
Total	**0.8**	0.5

The amount 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's 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.

On December 2011, Kemira Oyj, has according to an agreement with Pension Fund Neliapila, bought 2.5% of Pohjolan Voima Oy shares from the Pension Fund Neliapila. Purchase price of the shares was EUR 102.8 million. Pension Fund Neliapila owns 0.0% (0.0%) of Pohjolan Voima's shares.

No loans had been granted to the management in the end of 2011 and 2012, nor were there contingency items or commitments on behalf of key management personnel.

33. CHANGES IN GROUP STRUCTURE

ACQUISITIONS OF GROUP COMPANIES AND NEW SUBSIDIARIES THAT HAVE BEEN FOUNDED

- Kemira Oyj established a new company Kemira South Africa (Pty) Ltd in South Africa on October 2, 2012.

DIVESTMENTS OF GROUP COMPANIES

- Kemipol SP Z.o.o sold the shares of Kemipol-Ukraina Ltd on September 18, 2012.
- Kemira Specialty Crop Care España S.A. was liquidated on October 2, 2012.

NAME CHANGES

Former name	New name
Kemira Chimica S.p.A.	Kemira Chimica Srl

Kemira 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
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34. GROUP COMPANIES

Kemira Oyj	Kemira Group's Holding %	City Helsinki	Country 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 Canada Inc.	100.00	Eastover	United States
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
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	99.99	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 Srl	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 GrowHow A/S	100.00	Copenhagen	Denmark
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 2012 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
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	Kemira Group's Holding %	City	Country
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
Kemira New Chemicals Inc.	100.00	Savannah	United States
Kemira Operon Oy	100.00	Helsinki	Finland
Kemira Polar A/S	100.00	Copenhagen	Denmark
Kemira Rotterdam B.V.	100.00	Rotterdam	Netherlands
Kemira South Africa (Pty) Ltd.	100.00	Weltevredenpark	South Africa
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.

Income Statement (FAS)

		Year ended 31 December	
	Note	**2012**	2011
Revenue	2	**1,356,011,965.24**	1,365,328,047.43
Change in inventories of finished goods	4	**14,276,924.76**	–64,302,433.70
Own work capitalized	4	**76,000.00**	145,017.50
Other operating income	3	**13,863,720.94**	98,952,753.09
Materials and services	4	**–931,863,961.91**	–862,519,750.78
Personnel expenses	5	**–49,915,739.00**	–49,540,646.28
Amortization and impairments	6	**–29,881,605.41**	–29,678,760.58
Other operating expenses	4	**–410,793,314.02**	–371,658,321.11
Operating profit/loss		**–38,226,009.40**	86,725,905.57
Financial income and expenses	7	**86,898,894.14**	90,498,273.38
Profit/loss before extraordinary items		**48,672,884.74**	177,224,178.95
Extraordinary items	8	**12,071,000.00**	68,194,000.00
Profit/loss before appropriations and taxes		**60,743,884.74**	245,418,178.95
Appropriations	6	**1,790,382.73**	1,265,448.16
Income tax	9	**6,145,810.39**	–1,084,790.34
Net profit/loss		**68,680,077.86**	245,598,836.77

Balance Sheet (FAS)

	Note	As at 31 December 2012	2011
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	**114,097,259.02**	130,893,763.13
Property, plant and equipment	11	**24,020,440.42**	24,824,483.96
Investments	12		
Holdings in subsidiaries		**1,582,549,112.46**	1,604,351,760.73
Holdings in associates		**98,987,988.91**	125,819,988.91
Other shares and holdings		**136,249,905.46**	135,848,548.91
Total investments		**1,817,787,006.83**	1,866,020,298.55
Total non-current assets		**1,955,904,706.27**	2,021,738,545.64
CURRENT ASSETS			
Inventories	13	**88,228,906.08**	105,153,438.71
Non-current receivables	14	**143,711,805.66**	115,339,862.06
Current receivables	14	**276,741,222.50**	442,913,028.25
Money market investments – cash equivalents	15	**19,761,023.23**	43,138,493.86
Cash and cash equivalents		**39,602,156.70**	5,809,184.25
Total current assets		**568,045,114.17**	712,354,007.13
Total assets		**2,523,949,820.44**	2,734,092,552.77

	Note	As at 31 December 2012	2011
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
Fair value reserve		**–2,282,814.00**	0.00
Reserve for unrestricted capital invested		**199,963,876.20**	199,963,876.20
Retained earnings		**352,690,300.41**	187,565,586.70
Net profit/ loss for the financial year		**68,680,077.86**	245,598,836.77
Total equity		**1,098,690,900.10**	1,112,767,759.30
Appropriations	17	**10,845,229.10**	12,635,611.83
Obligatory provisions	18	**17,246,839.53**	40,224,624.07
LIABILITIES			
Non-current liabilities	19	**325,376,340.60**	259,175,027.89
Current liabilities	20	**1,071,790,511.11**	1,309,289,529.68
Total liabilities		**1,397,166,851.71**	1,568,464,557.57
Total equity and liabilities		**2,523,949,820.44**	2,734,092,552.77

Cash Flow Statement (FAS)

	Year ended 31 December	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating result	**68,680,077.86**	245,598,836.77
Adjustments to operating result		
Depreciation, amortization and impairment	**29,881,605.41**	29,678,760.58
Income taxes	**–6,145,810.39**	1,084,790.34
Finance expenses, net	**–86,898,894.14**	–90,498,273.38
Other non-cash income and expenses not involving cash flow	**–53,336,095.50**	–104,924,507.40
Operating profit before change in working capital	**–47,819,116.76**	80,939,606.91
Change in working capital		
Increase (–) / decrease (+) in inventories	**16,924,532.63**	–85,063,495.37
Increase (–) / decrease (+) in trade and other receivables	**103,915,855.57**	–367,137,627.65
Increase (+) / decrease (–) in trade payables and other liabilities	**37,050,721.40**	137,639,375.04
Change in working capital	**157,891,109.60**	–314,561,747.98
Cash generated from operations	**110,071,992.84**	–233,622,141.07
Interest and other finance cost paid	**–33,074,989.98**	–45,088,292.78
Interest and other finance income received	**18,093,852.07**	16,699,277.94
Realized exchange gains and losses	**8,931,950.42**	–5,583,141.85
Dividends received	**136,551,879.14**	119,104,245.02
Income taxes paid	**–3,279.65**	–767,096.93
Net cash generated from operating activities	**240,571,404.84**	–149,257,149.67
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of subsidiaries	**–7,847,070.15**	–13,600,228.28
Acquisitions of associated companies, and other shares	**–401,356.55**	–102,859,784.15
Purchase of intangible assets	**–7,773,477.18**	–108,260,647.48
Purchase of other plant, property and equipment	**–4,511,370.28**	–8,743,175.40
Proceeds from sale of subsidiaries and other shares	**26,832,000.00**	112,026,980.29
Proceeds from sale of other plant, property and equipment and intangible assets	**3,789.64**	146,534.23
Change in loan receivables, net increase (–) / decrease (+)	**–28,371,943.60**	–3,208,095.88
Net cash used in investing activities	**–22,069,428.12**	–124,498,416.67
Cash flow before financing	**218,501,976.72**	–273,755,566.34
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from non-current interest-bearing liabilities (+)	**70,185,247.34**	0.00
Repayment from non-current interest-bearing liabilities (–)	**–25,407,302.63**	–266,577,813.46
Short-term financing, net increase (+) / decrease (–)	**–240,482,574.61**	546,370,282.26
Dividends paid	**–80,575,845.00**	–72,983,608.32
Received group contribution	**68.194.000,00**	16,900,238.07
Net cash used in financing activities	**–208,086,474.90**	223,709,098.55
Net increase (+) / decrease (–) in cash and cash equivalents	**10,415,501.82**	–50,046,467.79
Cash and cash equivalents at beginning of year	**48,947,678.11**	98,994,145.90
Cash and cash equivalents at end of year	**59,363,179.93**	48,947,678.11
Net increase (+) / decrease (–) in cash and cash equivalents	**10,415,501.82**	–50,046,467.79

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Notes to Kemira Oyj Financial Statements

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. Below are presented mainly 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 as 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 derivative instruments, which are measured at their fair value.

Changes in the value of the financial assets and liabilities, including derivatives, are booked as a credit or charge into income statement under financial income and expenses, with the exception of other derivatives used for hedging purposes the efficient part of which is booked to fair value reserve. Inefficient part of other derivative instruments used for hedging purposes is booked as a profit or loss into the income statement.

The valuation methods of derivative instruments are described in the Group's accounting policies and in Note 28 in the Consolidated Financial Statements.

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2. REVENUE

	2012	2011
Revenue by business segment		
Paper	**539,478,696.43**	523,839,549.75
Municipal & Industrial	**279,496,231.01**	268,093,292.35
Oil & Mining	**116,137,988.61**	137,152,154.09
Intercompany revenue	**210,616,316.13**	222,846,881.41
Other revenue	**210,282,733.06**	213,396,169.83
Total	**1,356,011,965.24**	1,365,328,047.43
Distribution of revenue by geographical segments as a percentage of total revenue		
Finland	**27**	27
Other EU countries	**53**	52
Other European Countries	**10**	12
North and South America	**3**	3
Asia	**4**	4
Other countries	**3**	2
Total	**100**	100

3. OTHER OPERATING INCOME

	2012	2011
Gain on the sale of shares	**0.00**	84,331,750.85
Rent income	**1,490,200.77**	1,359,715.41
Intercompany service charges	**6,166,563.57**	6,721,573.45
Other income from operations	**6,206,956.60**	6,539,713.38
Total	**13,863,720.94**	98,952,753.09

4. COSTS

	2012	2011
Change in inventories of finished goods	**–14,276,924.76**	64,302,433.70
Own work capitalized	**–76,000.00**	–145,017.50
Materials and services		
Materials and supplies		
Purchases during the financial year	**930,463,416.50**	835,814,204.90
Change in inventories of materials and supplies	**–5,458,408.00**	18,536,148.53
External services	**6,858,953.41**	8,169,397.35
Total materials and services	**931,863,961.91**	862,519,750.78
Personnel expenses	**49,915,739.00**	49,540,646.28
Other operating expenses		
Rents	**12,378,276.17**	11,968,042.99
Intercompany tolling manufacturing charges	**211,559,739.65**	187,418,090.14
Intercompany service charges and royalties	**110,665,653.32**	94,726,728.59
Other expenses	**76,189,644.88**	77,545,459.39
Total other operating expenses	**410,793,314.02**	371,658,321.11
Total costs	**1,378,220,090.17**	1,347,876,134.37

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AUDITORS' FEES AND SERVICES

	2012	2011
Audit fees	**345,150.22**	281,178.07
Tax services	**0.00**	29,983.15
Other services	**24,900.00**	20,473.86

Kemira's auditor KPMG Oy was replaced by Deloitte & Touche Oy after the Annual General Meeting on March 21, 2012.

Fees and services paid to auditing companies other than Deloitte & Touche Oy amounting to EUR 0.4 million (EUR 1.1 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 2012 the costs included a net decrease in obligatory provisions of EUR −1.5 million (personnel expenses EUR +1.3 million, rents EUR −0.5 million and other expenses EUR −2.3 million), and in 2011, the 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).

5. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

	2012	2011
Emoluments of the Board of Directors, the CEO and his deputy [1)]	**1,810,879.92**	2,311,245.72
Other wages and salaries	**38,639,130.26**	39,043,652.16
Pension expenses	**7,126,735.71**	6,486,258.66
Other personnel expenses	**2,338,993.11**	1,699,489.74
Total	**49,915,739.00**	49,540,646.28

[1)] The emolument of Kemira Oyj's CEOs was EUR 1,162,242 (1,409,719) including bonuses of EUR 136,634 (754,267). The emolument of Kemira Oyj's deputy CEO was EUR 273,265 (513,847) including bonuses of EUR 29,186 (276,320).

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

	2012	2011
Personnel at end of year		
Paper	**93**	103
Municipal & Industrial	**32**	31
Oil & Mining	**9**	9
Other, of which	**469**	495
R&D and Technology	**217**	235
Total	**603**	638
Personnel, average	**629**	658

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6. DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

	2012	2011
Depreciation according to plan and impairments		
Intangible assets		
Amortization of intangible rights	**3,051,439.11**	2,130,560.43
Impairment of intangible rights	**0.00**	322,277.57
Amortization of other intangible assets	**21,518,542.18**	20,500,799.09
Impairment of other intangible assets	**0.00**	144,640.45
Property, plant and equipment		
Depreciation of buildings and constructions	**754,107.63**	946,453.32
Impairment of buildings and constructions	**18,896.20**	1,274,891.50
Depreciation of machinery and equipment	**4,509,623.73**	3,856,925.32
Impairment of machinery and equipment	**0.00**	474,915.93
Depreciation of other property, plant and equipment	**28,996.56**	27,296.97
Total	**29,881,605.41**	29,678,760.58
Change in difference between scheduled and actual depreciation (+ increase/ – decrease)		
Intangible rights	**–93,177.77**	265,104.96
Other intangible assets	**–208,836.86**	484,618.11
Buildings and constructions	**–145,954.94**	–480,463.10
Machinery and equipment	**–1,349,383.54**	–1,528,116.27
Other property, plant and equipment	**6,970.38**	–6,591.86
Total	**–1,790,382.73**	–1,265,448.16

7. FINANCE INCOME AND EXPENSES

	2012	2011
Finance income		
Dividend income		
From the Group companies	**120,979,952.39**	117,832,025.02
From others	**15,571,926.75**	1,272,220.00
Total dividend income	**136,551,879.14**	119,104,245.02
Interest income		
From non-current investments from the Group companies	**5,130,618.17**	5,058,378.48
From current investments from the Group companies	**1,442,377.53**	732,350.88
From non-current investments from others	**81,779.34**	76,470.36
From current investments from others	**4,806,302.57**	7,048,005.15
Total interest income	**11,461,077.61**	12,915,204.87
Other finance income		
Other finance income from the Group companies	**499,824.28**	526,764.24
Other finance income from others	**0.00**	837,176.91
Total other finance income	**499,824.28**	1,363,941.15
Exchange gains		
Exchange gains from the Group companies	**191,697,327.42**	204,665,663.72
Exchange gains from others	**120,329,981.43**	122,330,303.81
Total exchange gains	**312,027,308.85**	326,995,967.53
Total finance income	**460,540,089.88**	460,379,358.57

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	2012	2011
Finance expenses		
Interest expenses		
Interest expenses to the Group companies	**–10,258,353.97**	–14,441,524.68
Interest expenses to others	**–17,868,764.54**	–20,167,295.35
Total interest expenses	**–28,127,118.51**	–34,608,820.03
Other finance expenses		
Other finance expenses from the Group companies	**–29,649,718.48**	–6,029,679.02
Other finance expenses from others	**–4,448,744.30**	–4,255,444.58
Total other finance expenses	**–34,098,462.78**	–10,285,123.60
Exchange losses		
Exchange losses from the Group companies	**–209,443,223.01**	–202,427,829.77
Exchange losses from others	**–101,972,391.44**	–122,559,311.79
Total exchange losses	**–311,415,614.45**	–324,987,141.56
Total finance expenses	**–373,641,195.74**	–369,881,085.19
Total finance income and expenses	**86,898,894.14**	90,498,273.38
Exchange gains and losses		
Realized	**8,931,950.42**	–5,583,141.85
Unrealized	**–8,320,256.02**	7,591,967.82
Total	**611,694.40**	2,008,825.97

Other finance expenses from the Group companies include impairment of subsidiary shares of EUR 29.6 million in 2012 and 6.0 million in 2011.

8. EXTRAORDINARY ITEMS

	2012	2011
Extraordinary income		
Group contributions received	**12,071,000.00**	68,194,000.00
Total	**12,071,000.00**	68,194,000.00
Total extraordinary income and expenses	**12,071,000.00**	68,194,000.00

9. INCOME TAXES

	2012	2011
(income –, expense +)		
Income taxes, previous years	**0.00**	244,921.02
Deferred taxes	**–6,149,090.04**	–1,061,714.53
Other taxes	**3,279.65**	1,901,583.85
Total	**–6,145,810.39**	1,084,790.34

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10. INTANGIBLE ASSETS

2012	**Intangible rights**	**Goodwill**	**Prepayments**	**Other intangible assets**	**Total**
Acquisition cost at beginning of year	23,300,954.22	6,181,419.27	5,873,997.26	178,219,638.70	**213,576,009.45**
Additions	3,932,446.32	0.00	3,626,790.94	152,313.98	**7,711,551.24**
Decreases	−41,819.50	0.00	0.00	−1,687,774.49	**−1,729,593.99**
Business transfers	3,346,339.80	0.00	−5,249,661.25	1,965,247.39	**61,925.94**
Acquisition cost at end of year	30,537,920.84	6,181,419.27	4,251,126.95	178,649,425.58	**219,619,892.64**
Accumulated amortization at beginning of year	−9,659,167.92	−6,181,419.27	0.00	−66,841,659.13	**−82,682,246.32**
Accumulated amortization relating to decreases and transfers	41,819.50	0.00	0.00	1,687,774.49	**1,729,593.99**
Amortization and impairments during the financial year	−3,051,439.11	0.00	0.00	−21,518,542.18	**−24,569,981.29**
Accumulated amortization at end of year	−12,668,787.53	−6,181,419.27	0.00	−86,672,426.82	**−105,522,633.62**
Net book value at end of year	17,869,133.31	0.00	4,251,126.95	91,976,998.76	**114,097,259.02**

2011	Intangible rights	Goodwill	Prepayments	Other intangible assets	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

11. PROPERTY, PLANT AND EQUIPMENT

2012	**Land and water areas**	**Buildings and constructions**	**Machinery and equipment**	**Other property, plant and equipment**	**Advances paid and non-current assets under construction**	**Total**
Acquisition cost at beginning of year	413,551.22	25,283,177.47	79,526,422.45	581,216.34	2,777,194.76	**108,581,562.24**
Increases	0.00	25,307.10	3,721,356.62	0.00	1,229,873.83	**4,976,537.55**
Decreases	0.00	0.00	−4,553,460.20	−13,642.52	0.00	**−4,567,102.72**
Business transfers	0.00	73,071.25	2,642,197.58	0.00	−2,777,194.76	**−61,925.93**
Acquisition cost at end of year	413,551.22	25,381,555.82	81,336,516.45	567,573.82	1,229,873.83	**108,929,071.14**
Accumulated depreciation at beginning of year	0.00	−17,309,048.37	−66,037,882.44	−410,147.47	0.00	**−83,757,078.28**
Accumulated depreciation relating to decreases and transfers	0.00	1,230.38	4,145,198.78	13,642.52	0.00	**4,160,071.68**
Depreciation and impairments during the financial year	0.00	−773,003.83	−4,509,623.73	−28,996.56	0.00	**−5,311,624.12**
Accumulated depreciation at end of year	0.00	−18,080,821.82	−66,402,307.39	−425,501.51	0.00	**−84,908,630.72**
Net book value at end of year	413,551.22	7,300,734.00	14,934,209.06	142,072.31	1,229,873.83	**24,020,440.42**

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
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	0.00	−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

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12. INVESTMENTS

2012	**Group company shares**	**Investments in associated companies**	**Other shares**	**Total**
Book value at beginning of year	1,604,351,760.73	125,819,988.91	135,848,548.91	**1,866,020,298.55**
Increases	7,847,070.15	0.00	401,356.55	**8,248,426.70**
Decreases and transfers	0.00	–26,832,000.00	0.00	**–26,832,000.00**
Impairments	–29,649,718.42	0.00	0.00	**–29,649,718.42**
Net book value at end of year	1,582,549,112.46	98,987,988.91	136,249,905.46	**1,817,787,006.83**

2011	Group company shares	Investments in associated companies	Other shares	Total
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

Kemira Oyj received a capital return of EUR 26.8 million from the associated company Sachtleben GmbH during 2012.

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

13. INVENTORIES

	2012	2011
Raw materials and supplies	**21,407,026.17**	26,865,434.17
Finished goods	**61,786,166.64**	76,063,091.40
Prepayments	**5,035,713.27**	2,224,913.14
Total	**88,228,906.08**	105,153,438.71

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14. RECEIVABLES

	2012	2011
Non-current receivables		
Interest-bearing non-current receivables		
Loan receivables		
Loan receivables from the Group companies	**118,138,575.97**	96,794,330.09
Loan receivables from others	**1,005,555.59**	2,038,888.91
Other non-current investments	**1,911,941.00**	0.00
Total interest-bearing non-current receivables	**121,056,072.56**	98,833,219.00
Interest-free non-current receivables		
Deferred taxes	**22,655,733.10**	16,506,643.06
Total interest-free non-current receivables	**22,655,733.10**	16,506,643.06
Total non-current receivables	**143,711,805.66**	115,339,862.06
Current receivables		
Interest-bearing current receivables		
Loan receivables from the Group companies	**40,169,810.72**	123,200,778.97
Total interest-bearing current receivables	**40,169,810.72**	123,200,778.97
Interest-free current receivables		
Advances paid		
Advances paid to the Group companies	**20,160,491.02**	20,160,491.02
Advances paid to others	**30,093.56**	189,441.66
Trade receivables		
Trade receivables from the Group companies	**35,400,364.55**	34,666,438.68
Trade receivables from others	**142,555,747.37**	141,128,813.37
Total trade receivables	**177,956,111.92**	175,795,252.05
Accrued income		
Accrued income from the Group companies	**18,089,116.31**	75,901,190.95
Accrued income from others	**5,728,268.86**	14,791,539.02
Total accrued income	**23,817,385.17**	90,692,729.97
Other short-term interest-free receivables		
Other receivables from the Group companies	**67,556.78**	3,823.41
Other receivables from others	**14,539,773.33**	32,870,511.17
Total other interest-free current receivables	**14,607,330.11**	32,874,334.58
Total interest-free current receivables	**236,571,411.78**	319,712,249.28
Total current receivables	**276,741,222.50**	442,913,028.25
Total receivables	**420,453,028.16**	558,252,890.31

	2012	2011
Accrued income		
From interests	**3,096,939.95**	3,304,498.56
From taxes	**1,566,532.79**	515,821.87
From exchange differences	**3,701,668.15**	9,627,059.72
From the Group contribution	**12,071,000.00**	68,194,000.00
Other	**3,381,244.28**	9,051,349.82
Total	**23,817,385.17**	90,692,729.97

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15. MONEY-MARKET INVESTMENTS – CASH EQUIVALENTS

	2012	2011
Money-market investments		
Carrying amount at end of year	**19,761,023.23**	43,138,493.86
Fair value	**19,761,023.23**	43,159,457.66
Difference	**0.00**	–20,963.80

Money-market investments include company's short term investments.

16. EQUITY

	2012	2011
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
Fair value reserve at beginning of year	**0.00**	0.00
Fair value reserve at end of year	**–2,282,814.00**	0.00
Total restricted equity at end of year	**477,356,645.63**	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)]	**433,164,423.47**	258,512,200.42
Net profit for the year	**68,680,077.86**	245,598,836.77
Dividends paid	**–80,575,845.00**	–72,983,608.32
Share-based incentive plan:		
Shares given	**101,721.94**	2,272,256.68
Shares returned	**0.00**	–235,262.08
Retained earnings and net profit for the year at end of year	**421,370,378.27**	433,164,423.47
Total unrestricted equity at end of year	**621,334,254.47**	633,128,299.67
Total equity at end of year	**1,098,690,900.10**	1,112,767,759.30
Total distributable funds at end of year	**621,334,254.47**	633,128,299.67

[1)] The company owns 3,301,769 treasury shares, the acquisition value of which totals EUR 22,225,409.45.

Change in treasury shares	EUR	Number of shares
Acquisition value/number at beginning of year	**22,298,705.88**	3,312,660
Change	**–73,296.43**	–10,891
Acquisition value/number at end of year	**22,225,409.45**	3,301,769

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17. APPROPRIATIONS

	2012	2011
Appropriations		
Appropriations in the balance sheets are as follows:		
Buildings and constructions	**2,654,944.99**	2,800,899.93
Machinery and equipment	**5,374,535.26**	6,723,918.80
Other property, plant and equipment	**41,064.74**	34,094.36
Intangible rights	**430,451.10**	523,628.87
Other non-current expenditures	**2,344,233.01**	2,553,069.87
Total	**10,845,229.10**	12,635,611.83
Change in appropriations		
Appropriations at January 1	**12,635,611.83**	33,087,883.53
Business transfers	**0.00**	–19,186,823.54
Change in untaxed reserves in income statement	**–1,790,382.73**	–1,265,448.16
Appropriations at end of year	**10,845,229.10**	12,635,611.83

Deferred tax liabilities on accumulated appropriations were EUR 2.7 million December 31, 2012, and EUR 3.1 million December 31, 2011.

18. OBLIGATORY PROVISIONS

	2012	2011
Non-current provisions		
Pension provision	**6,006,374.84**	6,132,694.00
Other obligatory provisions		
Environmental and damage provisions	**6,519,251.80**	8,792,651.84
Personnel related provisions	**100,000.00**	100,000.00
Restructuring provisions	**2,019,017.20**	2,262,762.40
Other provisions	**0.00**	21,423,368.00
Total other obligatory provisions	**8,638,269.00**	32,578,782.24
Total non-current provisions	**14,644,643.84**	38,711,476.24
Current provisions		
Other obligatory provisions		
Personnel related provisions	**2,147,443.69**	847,389.03
Restructuring provisions	**454,752.00**	665,758.80
Total current provisions	**2,602,195.69**	1,513,147.83
Total provisions	**17,246,839.53**	40,224,624.07
Change in provisions		
Obligatory provisions at January 1	**40,224,624.07**	43,855,406.37
Decrease of provisions during year	**–4,359,736.40**	–3,887,172.30
Reclassification	**–21,423,368.00**	0.00
Increase during financial year	**2,805,319.86**	256,390.00
Obligatory provisions at end of year	**17,246,839.53**	40,224,624.07

Other non-current provisions decreased by EUR 21.4 million in relation to the establishment of an associate and its items reclassification.

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19. NON-CURRENT INTEREST-BEARING LIABILITIES

	2012	2011
Loans from financial institutions	**228,952,972.60**	259,175,027.89
Loans from the Group companies	**75,000,000.00**	0.00
Other non-current liabilities	**21,423,368.00**	0.00
Total	**325,376,340.60**	259,175,027.89
Long-term interest-bearing liabilities maturing in		
2014 (2013)	**32,485,584.95**	28,371,140.51
2015 (2014)	**82,835,584.95**	32,828,446.95
2016 (2015)	**32,835,584.95**	82,828,446.95
2017 (2016) or later	**177,219,585.75**	115,146,993.48
Total	**325,376,340.60**	259,175,027.89
Interest-bearing liabilities maturing in 5 years or more		
Loans from financial institutions	**80,796,217.75**	115,146,993.48
Loans from the Group companies	**75,000,000.00**	0.00
Other non-current liabilities	**21,423,368.00**	0.00
Total	**177,219,585.75**	115,146,993.48

The company does not have debentures or other bond loans.

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20. CURRENT LIABILITIES

	2012	2011
Interest-bearing current liabilities		
Loans from financial institutions	**29,107,927.84**	24,853,929.97
Current portion of other non-current loans to others	**16,507,941.55**	16,224,999.69
Other interest-bearing current liabilities		
to the Group companies	**603,313,477.26**	877,263,071.50
to others	**194,927,408.95**	165,997,329.05
Total interest-bearing current liabilities	**843,856,755.60**	1,084,339,330.21
Interest-free current liabilities		
Prepayments received		
Prepayments received from the Group companies	**177,016.76**	165,268.76
Prepayments received from others	**403,904.51**	1,248,356.06
Trade payables		
to the Group companies	**43,816,908.35**	45,378,049.13
to others	**80,548,720.99**	95,640,621.25
Total trade payables	**124,365,629.34**	141,018,670.38
Accrued expenses		
to the Group companies	**34,455,323.98**	8,140,095.61
to others	**60,725,700.09**	68,942,892.02
Total accrued expenses	**95,181,024.07**	77,082,987.63
Total other interest-free liabilities	**7,806,180.83**	5,434,916.64
Total interest-free current liabilities	**227,933,755.51**	224,950,199.47
Total current liabilities	**1,071,790,511.11**	1,309,289,529.68
Accrued expenses		
From salaries	**8,154,854.76**	8,464,210.29
From interests and exchange differences	**45,674,843.38**	16,524,252.07
Other	**41,351,325.93**	52,094,525.27
Total	**95,181,024.07**	77,082,987.63

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21. COLLATERAL AND CONTINGENT LIABILITIES

	2012	2011
Guarantees		
On behalf of the Group companies		
for loans	**589,889,303.00**	650,562,081.00
for other obligations	**43,314,768.00**	48,902,876.00
On behalf of others	**2,744,055.00**	3,069,936.00
Total	**635,948,126.00**	702,534,893.00
Leasing liabilities		
Maturity within one year	**5,224,844.00**	5,467,371.00
Maturity after one year	**23,944,493.00**	27,972,536.00
Total	**29,169,337.00**	33,439,907.00

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

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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 Sp. 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 (Yanzhou) Co.,Ltd.	100.00	100.00
Kemira Chemicals Brasil Ltda	100.00	100.00
Kemira Chemicals Canada Inc.	100.00	100.00
Kemira Chemicals India Private Ltd.	99.99	99.99
Kemira Chemie Ges.mbH	100.00	100.00
Kemira Chile Comercial Limitada	100.00	99.00
Kemira Chimica Srl	100.00	100.00
Kemira de Mexico S.A. de C.V.	100.00	100.00
Kemira Europe Oy	100.00	100.00
Kemira Germany GmbH	100.00	100.00
Kemira GrowHow A/S	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-Swiecie Sp.z.o.o.	100.00	100.00
Kemira Water Danmark A/S	100.00	100.00
Kemira Water Solutions Brasil	100.00	100.00
SC Kemwater Cristal SRL	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.	40.00	40.00
Sachtleben GmbH	39.00	39.00
White Pigment LLC	39.00	39.00

Shares and shareholders

SHARES AND SHARE CAPITAL

On December 31, 2012, 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 2012, Kemira Oyj had 30,601 registered shareholders (31,924). Foreign shareholding of Kemira Oyj share increased during the year and was 17.1% of the shares (13.8%), including nominee-registered holdings. Households owned 15.4% of the shares (16.3%).
At year-end, Kemira held 3,301,769 treasury shares (3,312,660), representing 2.1% (2.1%) of all company shares. A list of Kemira's largest shareholders is updated monthly and 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 11.81 at the NASDAQ OMX Helsinki at the end of 2012 (9.18). The share price increased 28.6% during the year while OMX Helsinki Cap index increased 9.6%. Shares registered a high of EUR 12.00 (12.67) and a low of EUR 8.00 (7.80). The average share price was EUR 10.10 (10.49). Kemira's market capitalization, excluding treasury shares, was EUR 1,796 million at the end of the year 2012 (1,396). The performance of the STOXX Chemicals (Europe), benchmark index for Kemira, developed closely in line with the Kemira share and increased 30% in 2012.

In 2012, Kemira Oyj's share trading volume on NASDAQ OMX Helsinki decreased 19% to 88.5 million (109.0) shares and was valued at EUR 886.7 million (1,113.0). The average daily trading volume was 352,397 (430,882) shares. On NASDAQ OMX Helsinki stock exchange, the total trading volume decreased 29% in 2012 compared to 2011.

In addition to NASDAQ OMX Helsinki, Kemira shares are traded on several alternative market places or multilateral trading facilities (MTF), for example at BATS Chi-X and Turquoise. In 2012, a total of 29.1 million (23.0) Kemira Oyj shares were traded at alternative market places, i.e. approximately 26.0% (17.5%) of the total amount of traded shares executed on-book. (Source: Fidessa) The total amount of traded Kemira shares, including trade on NASDAQ OMX Helsinki and multilateral trading facilities decreased 6% in 2012 compared to 2011.

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 for 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 (0.53) totaling EUR 81 million (81) be paid for the financial year 2012, accounting for a dividend payout of about 69% (60%) of the operative net income. The Annual General Meeting will be held March 26, 2013. The dividend ex date is March 27, 2013, dividend record date April 2, 2013 and payout April 9, 2013.

In April, 2012, a dividend of EUR 0.53 per share was paid for the financial year that ended December 31, 2011. The dividend record date was March 26, 2012, and the payment (EUR 81 million in total) date April 2, 2012.

BOARD AUTHORIZATIONS

The Annual General Meeting on March 21, 2012 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 repurchases. 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, 2012.

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, 2013. Based on the decision of the Annual General Meeting of Kemira Oyj on March 21, 2012, Kemira Oyj has transferred 10,891 shares to the members of the Board of Directors as part of remuneration of the Board.

MANAGEMENT SHAREHOLDING

The members of the Board of Directors as well as the President and CEO and his Deputy held 302,834 (512,605) Kemira Oyj shares on December 31, 2012, or 0.19% (0.33%) of all outstanding shares and voting rights (including treasury shares and shares held by the related parties and controlled corporations). Wolfgang Büchele, President and CEO, held 76,657 shares on December 31, 2012 (2,657). 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 147,688 shares on December 31, 2012 (348,777), representing 0.10% (0.22%) of all outstanding shares and voting rights (including treasury shares and shares held by the related parties and controlled corporations). Up-to-date information regarding the shareholdings of the Board of Directors and Management is available at Kemira's website at www.kemira.com > Investors.

LARGEST SHAREHOLDERS DEC 31, 2012

	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	6,450,143	4.2
5	Tapiola Mutual Pension Insurance Company	2,600,000	1.7
6	Mandatum Life	2,591,613	1.7
7	Danske Invest funds	1,570,304	1.0
8	Pohjola Fund Management	1,063,779	0.7
9	SEB Gyllenberg funds	799,397	0.5
10	Nordea funds	773,448	0.5
11	Sigrid Jusélius Foundation	730,000	0.5
12	Veritas Pension Insurance Company Ltd.	561,447	0.4
13	The Local Goverment Pensions Institution	426,482	0.3
14	The Finnish Cultural Foundation	405,579	0.3
15	Valio Pension Fund	378,899	0.2
	Kemira Oyj	3,301,769	2.1
	Nominee-registered and foreign shareholders	26,567,990	17.1
	Others, total	41,361,567	26.4
	Total	**155,342,557**	**100.0**

SHAREHOLDING BY NUMBER OF SHARES HELD DEC 31, 2012

Number of shares	Number of shareholders	% of share-holders	Shares total	% of shares and votes
1–100	6,071	19.9	379,116	0.3
101–500	13,275	43.4	3,617,062	2.3
501–1,000	5,113	16.7	3,823,797	2.5
1,001–5,000	5,163	16.9	10,459,191	6.7
5,001–10,000	490	1.6	3,513,213	2.3
10,001–50,000	353	1.2	6,796,292	4.4
50,001–100,000	61	0.2	4,267,767	2.7
100,001–500,000	59	0.2	11,672,434	7.5
500,001–1,000,000	5	0.0	3,580,558	2.3
1,000,001–	11	0.0	107,233,127	69.0
Total	**30,601**	**100.0**	**155,342,557**	**100.0**

Board proposal for profit distribution

On December 31, 2012, Kemira Oyj's distributable funds totaled EUR 621,334,254 of which net profit for the period accounted for EUR 68,680,078.

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 80,581,618.
- Retaining EUR 540,752,637 under unrestricted equity.

Helsinki, February 6, 2013

Jukka Viinanen

Jari Paasikivi

Elizabeth Armstrong

Winnie Fok

Juha Laaksonen

Kerttu Tuomas

Wolfgang Büchele
CEO

Auditor's report

TO THE ANNUAL GENERAL MEETING OF KEMIRA OYJ

We have audited the accounting records, the financial statements, the Operating and Financial Review, and the administration of Kemira Oyj for the financial period 1.1.–31.12.2012. The financial statements comprise of the consolidated income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's income statement, balance sheet, 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 Operating and Financial Review that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the Operating and Financial Review 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 Operating and Financial Review 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 Operating and Financial Review are free from material misstatement, and whether the members of the Board of Directors of the parent company and 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 Operating and Financial Review. 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 Operating and Financial Review 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 Operating and Financial Review.

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 OPERATING AND FINANCIAL REVIEW

In our opinion, the financial statements and the Operating and Financial Review 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 Operating and Financial Review in Finland. The information in the Operating and Financial Review is consistent with the information in the financial statements.

OTHER OPINIONS

We support that the financial statements should be adopted. 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 Board of Directors of the parent company and the President and CEO should be discharged from liability for the financial period audited by us.

Helsinki, 6 February 2013

Deloitte & Touche Oy
Authorized Public Audit Firm

Jukka Vattulainen
Authorized Public Accountant

Quarterly Earnings Performance

(The figures are unaudited)

	1–3	4–6	7–9	10–12	2012 Total	1–3	4–6	7–9	10–12	2011 Total
Revenue										
Paper	**244.6**	**249.2**	**257.9**	**250.3**	**1,002.0**	253.2	242.2	243.4	234.5	973.3
Municipal & Industrial	**161.0**	**173.7**	**176.5**	**175.4**	**686.6**	157.8	166.6	173.7	166.6	664.7
Oil & Mining	**85.1**	**84.5**	**79.4**	**72.1**	**321.1**	83.7	84.8	87.2	80.0	335.7
Other	**62.2**	**54.9**	**53.4**	**60.7**	**231.2**	62.1	55.2	54.0	62.2	233.5
Total	**552.9**	**562.3**	**567.2**	**558.5**	**2,240.9**	556.8	548.8	558.3	543.3	2,207.2
Operating profit										
Paper	**20.2**	**19.4**	**8.8**	**6.8**	**55.2**	22.7	20.0	18.5	18.3	79.5
Municipal & Industrial	**5.0**	**10.6**	**0.7**	**–24.8**	**–8.5**	11.6	10.9	15.4	5.8	43.7
Oil & Mining	**12.0**	**10.0**	**5.8**	**2.4**	**30.2**	9.4	8.1	10.2	7.2	34.9
Other	**–1.1**	**–7.2**	**–14.9**	**–22.0**	**–45.2**	1.2	–1.7	–3.3	4.0	0.2
Total	**36.1**	**32.8**	**0.4**	**–37.6**	**31.7**	44.9	37.3	40.8	35.3	158.3
Finance costs, net	**–10.3**	**1.4**	**–2.7**	**–4.1**	**–15.7**	–3.8	–3.9	–7.7	–5.5	–20.9
Share of profit or loss of associates	**10.8**	**5.8**	**0.3**	**–5.7**	**11.2**	7.5	7.3	9.0	7.2	31.0
Profit before tax	**36.6**	**40.0**	**–2.0**	**–47.4**	**27.2**	48.6	40.7	42.1	37.0	168.4
Income tax expense	**–6.7**	**–8.9**	**3.1**	**6.8**	**–5.7**	–10.7	–9.0	–9.2	0.8	–28.1
Net profit for the period	**29.9**	**31.1**	**1.1**	**–40.6**	**21.5**	37.9	31.7	32.9	37.8	140.3
Profit attributable to:										
Equity owners of the parent	**28.9**	**29.8**	**–0.2**	**–41.7**	**16.8**	36.6	30.7	31.5	36.8	135.6
Non-controlling interests	**1.0**	**1.3**	**1.3**	**1.1**	**4.7**	1.3	1.0	1.4	1.0	4.7
Net profit for the period	**29.9**	**31.1**	**1.1**	**–40.6**	**21.5**	37.9	31.7	32.9	37.8	140.3
Earning per share, basic, EUR	**0.19**	**0.20**	**0.00**	**–0.28**	**0.11**	0.24	0.20	0.21	0.24	0.89
Earning per share, diluted, EUR	**0.19**	**0.20**	**–0.01**	**–0.27**	**0.11**	0.24	0.20	0.21	0.24	0.89
Capital employed, rolling					**1,673.0**					1,705.0
Return on capital employed (ROCE), %					**2.6%**					11.1%

Information for investors

FINANCIAL REPORTS IN 2013

Kemira will publish three interim reports in 2013.

April 23, 2013: Interim report for January–March
July 23, 2013: Interim report for January–June
October 22, 2013: Interim report for January–September

The interim reports and related presentation material are available on Kemira's website at www.kemira.com. Furthermore, Kemira's press releases, Annual and Sustainability Reports and other investor information are also available on the website. On the site, visitors can register to receive press releases by e-mail and order the company's Annual Reports. Annual Reports can also be ordered from Kemira Oyj, Group Communications, tel. +358 10 8611. As of 2011, Kemira's Annual and Sustainability report as a whole is available as an online report as well as in the PDF format.

INVESTOR RELATIONS

The purpose of Kemira's investor relations is to provide capital markets with information on the company and its operating environment, and to serve Kemira's shareholders and other operators in the capital markets. In these activities, the objective is to provide reliable and up-to-date information on a regular and equal basis in order to give those operating in the markets a factual view of Kemira as an investment.

Kemira's investor relations function is responsible for investor relations and daily communications. The Group's top management is actively involved in investor relations and regularly meets with capital market representatives.

The company observes a 30-day closed period before it publishes its Financial Statements bulletin and interim reports. During this period, Kemira's management does not discuss the result or factors affecting the result with capital market representatives.

Contact information of analysts monitoring Kemira is listed on the company website at www.kemira.com > Investors > Share Information > Analysts.

ANNUAL GENERAL MEETING

Kemira's Annual General Meeting will be held on Tuesday, March 26, 2013 at 1.00 p.m. in Marina Congress Center, Katajanokanlaituri 6, Helsinki, Finland. A shareholder who on the record date of the Annual General Meeting, March 14, 2013, is registered in the company's shareholders' register maintained by Euroclear Finland Ltd, is entitled to attend and participate in the Annual General Meeting.

Registration to the Annual General Meeting begins on March 1, 2013 and registration instructions will be published on that day as a stock exchange release and at Kemira's web site at www.kemira.com > Investors > Corporate Governance > Annual General Meeting > Annual General Meeting 2013.

Kemira will release a stock exchange release on the Annual General Meeting's decisions immediately after the meeting.

DIVIDEND DISTRIBUTION

For dividend proposal, please see page Board proposal for profit distribution.

CHANGE OF ADDRESS

Kemira's shareholders are kindly requested to report any change of address to the bank or brokerage firm in which they have their book-entry account. This will also update information in registers, maintained by Euroclear Finland Ltd, which Kemira uses to send mail to its shareholders. If the book-entry account is held by Finnish Central Securities Depository Ltd, changes of address should be reported there directly.

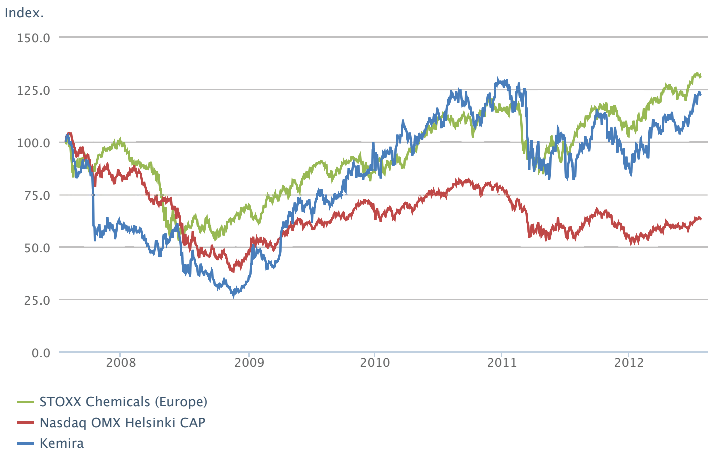
INVESTOR RELATIONS

Tero Huovinen, Director, Investor Relations
tel. +358 10 862 1980
e-mail: tero.huovinen@kemira.com

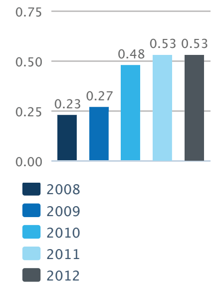
Basic share information

Listed on: NASDAQ OMX Helsinki Ltd
Trading code: KRA1V
ISIN code: FI0009004824
Industry group: Materials
Industry: Chemicals
Number of shares on December 31, 2012: 155,342,557
Listing date: November 10, 1994

Share price 2008–2012

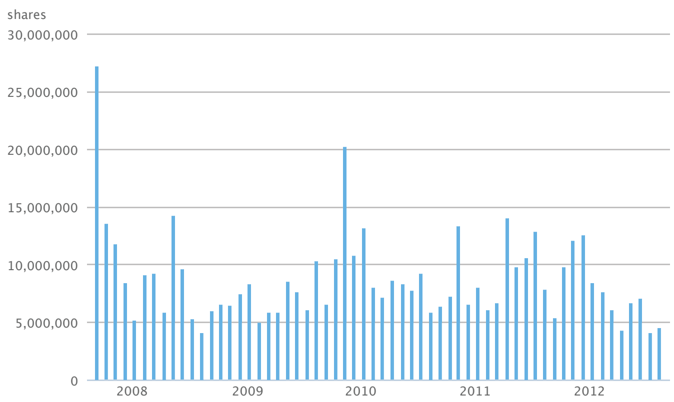


Dividend per share (EUR)*

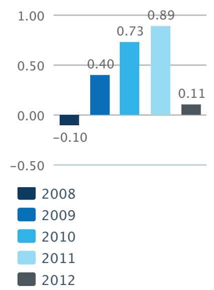


* The dividend for 2012 is the Board of Directors' proposal to the Annual General Meeting.

Monthly trading volume on NASDAQ OMX Helsinki 2008–2012

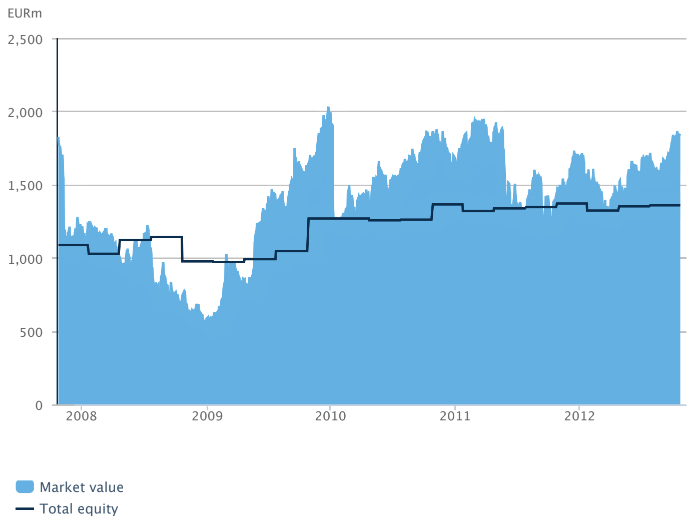


Earnings per share (EUR)*



* Excluding Tikkurila 2009 and 2010

Market value 2008–2012



Ownership Dec. 31