Financial Statements 2008

Contents

Since all figures in this Annual Report have been rounded, the sum of individual figures may deviate from the presented sums.

Board of Directors' Review 2008

- Revenue in 2008: EUR 2,832.7 million (2007: EUR 2,810.2 million).
- Operating profit excluding non-recurring items: EUR 132.6 million (EUR 174.6 million).
- Free cash flow after investments increased.
- Earnings per share: EUR –0.02 (EUR 0.53). Earnings per share excluding non-recurring items: EUR 0.29 (EUR 0.75).
- Board proposes a dividend of EUR 0.25 per share (EUR 0.50).

KEY FIGURES AND RATIOS

(EUR million)	2008	2007
Revenue	**2,832.7**	2,810.2
EBITDA	**243.3**	316.9
EBITDA, %	**8.6**	11.3
Operating profit, excluding non-recurring items	**132.6**	174.6
Operating profit	**74.0**	143.1
Operating profit, excluding non-recurring items, %	**4.7**	6.2
Operating profit, %	**2.6**	5.1
Financial income and expenses	**–69.5**	–51.9
Profit before tax	**1.8**	93.3
Profit before tax, %	**0.1**	3.3
Net profit	**1.8**	67.5
EPS, EUR	**–0.02**	0.53
Capital employed*	**2,062.8**	2,035.8
ROCE, %*	**3.5**	7.1
Free cash flow after investments	**2.7**	–149.1
Personnel at period-end	**9,405**	10,007

* 12-month rolling average

Financial Performance for 2008

Kemira Group's revenue for 2008 totaled EUR 2,832.7 million (2007: EUR 2,810.2 million). Sales price hikes increased revenue by some EUR 153 million and larger sales volumes increased revenue by some EUR 11 million. Acquisitions contributed about EUR 38 million to revenue growth while divestments decreased revenue by some EUR 130 million. The currency exchange effect had a negative impact on revenue of some EUR 63 million. Organic revenue growth excluding acquisitions and divestments in local currencies was 6%.

Revenue by market area was as follows: Europe 67% (67), North America 22% (23), South America 6% (4), Asia 4% (5), and Others 1% (1).

Operating profit for 2008, excluding non-recurring items, was EUR 132.6 million (EUR 174.6 million). This decrease was due to the significantly higher prices of raw materials and energy. Variable costs rose by some EUR 177 million in 2008 (excluding the effect of acquisitions, divestments and changes in sales volumes). Sales price hikes increased operating profit by about EUR 153 million in 2008 and larger sales volumes by some EUR 2 million. The currency exchange effect decreased operating profit by approximately EUR 8 million. Acquisitions contributed approximately EUR 1 million to the operating profit while divestments decreased revenue by EUR 1 million. Operating profit as a percentage of revenue, excluding non-recurring items, decreased from 6.2% to 4.7%.

Operating profit for 2008 was EUR 74.0 million (EUR 143.1 million), including non-recurring items with a net impact of EUR –58.6 million (EUR –31.5 million). In June, Kemira launched a global cost savings program, targeting more than EUR 50 million savings per annum, and in December Kemira announced it had identified further savings potential that will lead to additional annual savings of EUR 10 million. These savings should be realized during 2009 and 2010. Due to the cost savings program, Kemira booked EUR 79.8 million one-time costs for the last quarter of 2008. In January 2009, Kemira's paints and coatings business launched its own savings program targeting savings worth EUR 25 million in 2009–2010.

Profit before tax came to EUR 1.8 million (93.3) and net profit totaled EUR 1.8 million (67.5). Earnings per share were EUR –0.02 (EUR 0.53). Earnings per share excluding non-recurring items were EUR 0.29 (EUR 0.75).

Taxes for the year came to EUR 0 million (EUR 25.8 million). The taxes shown in the income statement are lower than those calculated using the current tax rates due to the utilization of losses, and because the profit includes non-taxable gains on assets sold. At the same time, however, the impairments of fixed assets raised the effective tax rate.

In the financial statements for 2007, Kemira estimated that the company would continue to grow moderately in 2008. Full-year operating profit and earnings per share, excluding non-recurring items, were expected to improve. The company revised the forecast during the year in connection with interim reports, following unfavorable raw material and energy price developments and due to the weak US dollar, among other factors.

The company's mid-term financial goals are:

- Organic growth of at least 5%
- Operating profit as a percentage of revenue totaling at least 10%
- Positive cash flow after investments and dividends paid
- Return on capital employed (ROCE), %: Continuous improvement
- Targeted gearing ratio 40–80%.

Financial Position and Cash Flows

The Group maintained a good financial position and liquidity throughout the financial year.

In 2008, the Group reported cash flows of EUR 90.2 million (EUR 172.1 million) from operating activities. Net cash flow from investing activities was EUR –87.5 million (EUR –321.2 million), of which acquisitions accounted for an outflow of EUR –180.8 million (EUR –66.6 million). Free cash flow after investments was EUR 2.7 million (EUR –149.1 million), while the cash flow effect from expansion and improvement investments was EUR –124.4 million (EUR –188.8 million). Working capital accounted for 14.9% (15.2%) of revenue. Kemira Oyj paid out EUR 60.6 million (EUR 58.2 million) in dividends to its shareholders.

The Group's net debt at the end of the year stood at EUR 1,049.1 million (EUR 1,003.4 million). Foreign exchange changes increased the net debt by some EUR 16 million, the dividend payment in the spring 2008 by some EUR 64 million, acquisitions by some EUR 40 million and the weakened cash flows in the pulp and paper as well as paints and coatings businesses, especially during the last quarter of the year, by some EUR 46 million. The establishment of a joint venture with Rockwood Holding Inc. in the titanium dioxide business at the end of August improved the Group's cash flow by about EUR 96 million and reduced the Group's net debt by about EUR 120 million, including the amount reborrowed from the pension fund that was transferred into the joint venture.

Interest-bearing liabilities stood at EUR 1,168.5 million (EUR 1,056.1 million). Fixed-rate loans accounted for 47% of total interest-bearing loans, while the average interest rate on the Group's interest-bearing liabilities was 5.6% (5.2%). The duration of the Group's interest-bearing loan portfolio at the year-end was 17 months (December 31, 2007: 13 months).

The unused amount of the EUR 750 million revolving credit facility that falls due in 2012 was EUR 354.5 million at the year-end, and the amount obtained from the commercial paper markets was EUR 116.2 million. On December 31, 2008, cash and cash equivalents totaled EUR 119.4 million. Under its current structure, the Group will have no significant refinancing needs in 2009–2010, as the current loan arrangements cover its financing needs.

At the year-end, the equity ratio stood at 34% (December 31, 2007: 39%) while gearing was 107% (December 31, 2007: 92%). Equity declined due to changes in exchange rates of key currencies causing translation differences (impact some EUR 74 million), and due to the one-time costs announced in December (impact some EUR 60 million). This affected both the equity ratio and gearing.

The Group's net financial expenses grew to EUR 69.5 million (51.9). Exchange rate losses grew by EUR 9.4 million, the most significant losses of this kind being due to the Ukrainian subsidiary's USD-denominated loan (loss of EUR 3.1 million) and the Brazilian subsidiary's loan arrangement (loss of EUR 3.1 million). In addition, the higher debt level and higher market interest rates compared to 2007 contributed to these higher costs.

In March, Kemira and the Nordic Investment Bank (NIB) signed a 10-year bilateral credit agreement of USD 60 million. In June, Kemira and the European Investment Bank (EIB) signed a 12-year bilateral research and development loan agreement worth EUR 100 million. In addition, in the final quarter the company made 10-year reborrowing arrangements with Finnish pension insurance companies, amounting to EUR 57 million.

The Group's most important exchange rate risk arises from exports from Sweden into the euro area. At the year-end, the SEK-denominated exchange rate risk had an equivalent value of EUR 31 million, with an average of 88% of the risk being hedged. In addition, the company is exposed to a USD risk when USD-denominated items are converted into euro in the financial statements. With its current structure, the Group will not be exposed to any significant USD denominated currency risks. Furthermore, the Group is exposed to a risk in relation to its annual exports from Finland to Russia of around EUR 10 million. When RUB-denominated items are converted into euro, the 10% fall in the value of the ruble reduces the Group's operating profit by around EUR 1.5 million.

Capital Expenditure

Gross capital expenditure in 2008, excluding acquisitions, amounted to EUR 161.0 million (EUR 254.4 million). The largest investments were the SAP enterprise resource planning system, EUR 18.7 million; the expansion of a formic acid plant in Oulu, Finland, EUR 10.9 million; and a logistics and service center for Kemira Coatings near Moscow, EUR 9.2 million. Expansion investments represented around 41% of capital expenditure excluding acquisitions, improvement investments around 36% and maintenance investments around 23%.

Group depreciation and impairment amounted to EUR 169.4 million (EUR 173.8 million) including non-recurring impairment of EUR 38.6 million (EUR 37.9 million).

Cash flow from the sale of assets was EUR 254.3 million (EUR –0.2 million). Cash flow from acquisitions was EUR –180.8 million (EUR –66.6 million). The figures include the formation of the titanium dioxide joint venture, which began operating in September. The Group's net capital expenditure totaled EUR 87.5 million (EUR 321.2 million).

Strategy Update

In June 2008 Kemira announced its new strategy, which states that Kemira will concentrate on water and fiber related businesses. In the first phase, the company is focusing on improving profitability and reinforcing the cash flow and balance sheet. In the second phase, Kemira will seek strong growth.

Kemira's new organization reflecting the strategy is as follows:

- Kemira's business is divided into three customer-oriented segments with P/L responsibility. Water technology is the common denominator for all segments. The Paper segment will focus on serving customer segments in the pulp and paper industry, while the Water segment will concentrate on the customer segments in municipal and industrial water treatment. The Oil & Mining segment will further develop businesses in the expanding application areas of the oil, gas and mining industries.

– Kemira is divided into four geographical areas: North America, South America, Asia Pacific (APAC) and Europe (EMEA). These areas are responsible for developing a common cost-effective infrastructure for the different business functions. In addition, the geographical organizations of South America and Asia Pacific are responsible for strategy implementation and market development.
– The functions will be organized globally, and will provide services for all Kemira businesses.

The new organization is effective as of October 1, 2008. The objective is to secure profitability improvement and growth by focusing on business development in the most profitable customer segments and applications, based on Kemira's existing competences and resources. Kemira will begin financial reporting according to the new structure from the beginning of 2009. The structural change essentially involves creating global shared practices and business processes.

When Kemira announced its strategy, it also unveiled plans to separate its Coatings business, i.e. Tikkurila, from Kemira and list it on the NASDAQ OMX Helsinki Ltd during the first half of 2009. With this listing, Kemira pursues an increase in overall shareholder value and focuses Kemira's business around water. As the equity, debt and paint markets have weakened, Kemira has decided to postpone the listing. The listing is targeted to take place once market conditions permit.

The Kemira Specialty business area was reorganized. A joint venture with Rockwood Holdings Inc. began operating at the beginning of September, combining Kemira's and Rockwood's titanium dioxide business and Rockwood's functional additives business. Kemira will continue to develop the ChemSolutions business as a separate entity, thereby ensuring its profitability and maximum cash flow. The sodium percarbonate business was included in the Paper business.

Together with the announcement of the new strategy, Kemira announced a cost savings program with an annual savings target of over EUR 50 million, excluding Kemira Coatings. Savings are expected to be realized in the course of 2009–2010. In December, Kemira announced that it had identified further savings potential worth EUR 10 million for these years. Kemira recorded non-recurring costs of EUR 79.8 million for the final quarter of 2008, associated with the savings program. Group-wide savings measures include changing the group structure, organization, and operating models. The planned savings program may also lead to a reduction of approximately 1,000 persons worldwide from Kemira's payroll, including the potential sale of businesses. Streamlining of the global functions may lead, for example, to the consolidation of production sites, R&D facilities and the warehouse network. Kemira's co-determination negotiations held in five business locations in Finland were concluded on October 8, 2008.The organizational change and savings program will result in a net reduction of 298 persons in Finland.

In January, Kemira's paints and coatings business set its own savings target of EUR 25 million for 2009–2010.

Short-term Risks and Uncertainties

Kemira's short-term risks and uncertainty factors are related to general economic developments and their effect on demand for Kemira's products, particularly pulp and paper chemicals and paints and coatings.

Powerful fluctuations in the world market prices of electricity and oil are reflected in Kemira's financial results, via raw material prices.

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 at the company website at www.kemira.com. An account of financial risks will be available in the Notes to the Financial Statements 2008. Materialized environmental and hazard risks will be handled in Kemira's environmental report, to be published in April.

Research and Development

Research and development expenditure totaled EUR 71.1 million (EUR 65.9 million), accounting for 3% (2%) of revenue. At the year-end, the number of personnel working in 10 countries totaled 520, with 62% of personnel working in Finland.

The objective of research and development is to support Kemira's growth, enhance the customers' production processes and improve the quality of final products. All of Kemira's customer segments have water treatment in common, particularly water-related environmental regulations and the need to use water efficiently. To support basic components such as organic coagulants and flocculent polymers, Kemira is strengthening its competence and product selection, especially in water technology solutions. This will provide customers with even more comprehensive solutions for both internal water cycle management and waste water treatment. Kemira has also taken an active role in the development of solutions that help reduce the load on the environment. Product development projects also focus on partial solutions such as waste water disinfection, odor control and water friction for reducing polymers in oil recovery. At the same time, efforts are made to develop waste water sludge processing as well as methods to enhance biogas generation.

During the year, Kemira made a decision to consolidate its previous 17 R&D sites into 5 global facilities. These centers serve its clientele in North America, Northern Europe, Continental Europe and Asia. A fifth center will be established in South America in 2010. The new R&D infrastructure will be strategically focused on enhancing development and the commercialization of innovative technologies and products for Kemira's customers locally and globally, meeting the needs of the pulp and paper, drinking and waste water treatment and oil and mining industries.

As part of the R&D structural reorganization, Kemira decided to establish a new research and development center in Atlanta, Georgia, in the United States. This center will be located at a technology enterprise park in association with the Georgia Institute of

Technology (Georgia Tech) in Atlanta, and will house all of Kemira's North American R&D activities. The new center will start up in the summer of 2009. Kemira's Asian technology center in Shanghai, China, was inaugurated in April.

In June, Kemira Oyj and the European Investment Bank (EIB) signed a EUR 100 million 12-year research and development loan agreement. EIB granted the loan to support the research, development and innovation activities of Kemira Group during the years 2008–2011.

Environment and Safety

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. In its financial statements, the Group treats its environmental liabilities and risks in accordance with IFRS. The Kemira Code of Conduct contains up-to-date environmental and health and safety guidelines, compliance with law setting the minimum requirement. No significant non-compliance conditions with respect to environmental and safety permits have been brought to the management's attention.

In 2008, capital expenditure on environmental protection at company sites totaled EUR 7.2 million (EUR 30.2 million) and operating costs EUR 30.0 million (EUR 39.1 million). The change was mainly due to transferring the titanium dioxide business to a joint venture that began operating in early September. No major environmental projects were in progress or being planned.

Provisions for environmental remediation measures of EUR 19.4 million (EUR 13.6 million) were mainly related to landfill closures and remediation projects for contaminated soil. The increase in provisions was primarily related to the division of responsibilities agreed between the parties in connection with the above mentioned titanium dioxide joint venture arrangement regarding the closed dumping areas and the launch of a remediation project at the Pori site in Finland. Other realized acquisitions and divestments did not alter the Group's overall environmental liabilities significantly. No environmental liability cases related to previous operations, which would have any significant effect on Kemira's financial position, have been brought to the management's attention.

The implementation of the new EU chemicals regulation (REACH) progressed as planned. The so-called preregistration required by the regulation was completed. Kemira made around 3,000 preregistrations for just over 400 imported and/or manufactured substances. None of the substances which are candidates for authorization are used in Kemira's products. The implementation of REACH is not expected to have any major effects on the Group's competitiveness.

The frequency of occupational accidents decreased significantly from the previous year, to 4.4 accidents per million working hours (6.5), which is the best result the Group has achieved thus far. There were no significant environmental or personal accidents in 2008.

The Group's environmental and safety organization was revised as part of the overall structural overhaul. Group-wide and regional objectives were set for the certified management systems extension and continuous business improvement.

Kemira publishes an annual Environmental Report verified by a third party. The report is prepared in accordance with IFRS and the guidelines issued by the European Chemical Industry Council (CEFIC). For example, the report deals with emissions and effluents, waste, environmental costs, safety and product safety as well as the use of natural resources.

Human Resources

The number of Group employees totaled 9,405 at the year-end (December 31, 2007: 10,007). During the year, the average number of employees was 9,954 (10,008). As part of the cost savings program, Kemira reduced personnel, primarily in Finland, Sweden, the US, China, Germany and France. Enhanced measures were taken to support those who lost their jobs.

At the year-end, the number of employees in Finland was 2,137 (2,885), elsewhere in EMEA 4,940 (4,930), in North America 1,420 (1,483), in South America 425 (226), and in Asia Pacific 483 (483). In Finland, the number of employees declined particularly due to the formation of the titanium dioxide joint venture. Kemira Pulp&Paper had an average of 2,378 employees (2,315 on average), Kemira Water 2,311 (2,189), Kemira Specialty 758 (1,066), Kemira Coatings 4,027 (3,883) and Group functions 500 (555) employees. Part-time personnel represented 4% (4) of total personnel.

Total salaries and wages paid in 2008 were EUR 354.6 million (EUR 360.4 million). Kemira's reward system is based on performance, the principles of internal fairness and external competitiveness. Consistent job evaluation helps ensure compliance with these principles. Evaluations were performed at the end of 2008 to ensure compliance with the responsibilities defined for the new organization. Basic pay is supplemented by performance-based bonus schemes, which cover a large share of Group employees.

The annual Group-wide personnel survey offers an important channel for personnel participation and serves as a valuable management tool. Since the building of the new Kemira organization was still in progress in 2008, the personnel survey was postponed until the beginning of 2009.

The Kemira Code of Conduct specifies Group principles governing equality. Accordingly, Kemira treats all people equally in recruitment and provides equal working conditions irrespective of race, gender, religious beliefs, political opinions and national and social origin. Kemira aims to achieve equal numbers of applications for vacancies by women and men, equal opportunities for competence development and career progression, equal placement on various organizational levels, equal pay for equal work and equality in other employment terms and conditions. At the end of 2008, women represented 29% (29%) of Kemira's employees and men 71% (71%).

Business Areas

KEMIRA PULP&PAPER

Kemira Pulp&Paper is the world's leading expert in pulp and paper chemicals, its energy and cost-efficient solutions spanning the pulp and paper industry's value chain from pulp to paper coating.

(EUR million)	2008	2007
Revenue	1,057.7	1,043.0
EBITDA	74.5	133.7
EBITDA, %	7.0	12.8
Operating profit, excluding non-recurring items	50.4	79.8
Operating profit	2.2	68.2
Operating profit, excluding non-recurring items, %	4.8	7.6
Operating profit, %	0.2	6.5
Capital employed*	824.2	833.6
ROCE, %	0.3	8.2
Capital expenditure, excluding acquisitions	40.6	78.4
Free cash flow after investments	32.4	–24.3
Personnel at period-end	2,349	2,351

* 12-month rolling average

Kemira Pulp&Paper's revenue in 2008 was EUR 1,057.7 million (EUR 1,043.0 million). Organic growth in local currencies was 5%. Divestment decreased revenue by some EUR 10 million. The currency exchange effect had a EUR 25 million negative impact on revenue. The demand for pulp chemicals remained relatively healthy although it fell slightly towards the year-end due to customers' production downtime. The competitive environment for paper chemicals was particularly challenging, with customers closing paper mills in mature markets in Europe and North America.

Operating profit for 2008, excluding non-recurring items, was EUR 50.4 million (EUR 79.8 million). The profitability decline was primarily due to increased raw material, energy and freight costs. Variable costs increased by EUR 59 million compared with 2007. The higher raw material costs had a particularly strong impact on the profitability of paper chemicals. Implemented price increases did not fully compensate for the impact of higher raw material prices and energy costs. Sales price increases had a EUR 33 million effect on operating profit.

Kemira Pulp&Paper's reported operating profit was EUR 2.2 million (EUR 68.2 million), including non-recurring items with a net impact of EUR –48.2 million (EUR –11.6 million). These non-recurring items were mainly related to the Group's cost savings program and restructuring measures, aimed at improving the profitability of Kemira's pulp and paper chemicals business in the near future.

In recent years, Kemira has closed six production plants in North America's mature paper chemical markets, and a seventh is to be shut down during the year underway. Customer deliveries will be handled from other US and Canadian units. In 2008, the decision was taken to shut down the AKD wax production line in Vaasa, Finland, as part of the efficiency-boosting measures implemented.

In January, Kemira set up a new company in Indonesia, a growing pulp and paper production region. PT Kemira Indonesia offers paper and pulp chemical products and solutions to its customers in Southeast Asia.

In April, Kemira signed a two-year sulfuric acid delivery agreement with Talvivaara Projekti Oy. Kemira's chemical deliveries to the Talvivaara mine in Sotkamo, Finland, began in the final quarter of 2008. The mine will produce nickel, zinc and copper. Sulfuric acid is used in the production process to regulate the acidity of the bacterial solution that acts as a catalyst in the process for dissolving metals.

On-site chlorine dioxide production, project-engineered by Kemira, was launched at Celulosa Argentina's pulp mill in Capitan Bermudez in early July, coinciding with the mill's switchover to chlorine-based bleaching. Kemira supplies the chemicals needed for chlorine dioxide production as well as hydrogen peroxide, and is actively involved in the development of the mill's bleaching process.

In June, the European Commission imposed a fine of EUR 10.15 million on Finnish Chemicals Oy for antitrust activity in the company's sodium chlorate business during 1994–2000. Kemira Oyj acquired Finnish Chemicals in 2005. The fine imposed by the Commission will not affect Kemira's cash flow.

In July, Kemira agreed to deliver pulp and bleaching chemicals to Mondi's production facilities located in Syktyvkar, Russia, for 2008–2010.

In January 2009 Kemira and the Chinese Tiancheng Ltd. set up a joint venture Kemira-Tiancheng Chemicals (Yanzhou) Co., Ltd to produce AKD wax and adhesives derived from the wax for the paper and board industry. Kemira has a 51 per cent holding in the joint venture and Tiancheng 49 per cent.

In January 2008, Jyrki Mäki-Kala was appointed President of the Kemira Pulp&Paper business area as Harri Kerminen was appointed CEO of the Kemira Group. Petri Helsky took over as President of Pulp&Paper on October 1, 2008 after Jyrki Mäki-Kala was appointed Kemira Group's CFO.

KEMIRA WATER

Kemira Water is the world's leading expert in municipal and industrial waste water as well as process and drinking water treatment. Kemira Water offers services, products and equipment for municipal and industrial water treatment.

(EUR million)	2008	2007
Revenue	**760.0**	686.4
EBITDA	**53.9**	78.8
EBITDA, %	**7.1**	11.5
Operating profit, excluding non-recurring items	**28.7**	46.7
Operating profit	**10.9**	43.6
Operating profit, excluding non-recurring items, %	**3.8**	6.8
Operating profit, %	**1.4**	6.4
Capital employed*	**440.6**	409.4
ROCE, %	**2.5**	10.9
Capital expenditure, excluding acquisitions	**30.9**	51.0
Free cash flow after investments	**–31.0**	–65.8
Personnel at period-end	**2,406**	2,319

* 12-month rolling average

Kemira Water's revenue in 2008 rose by 11% to EUR 760.0 million (EUR 686.4 million). Revenue increased, largely thanks to price increases implemented to compensate for higher raw material prices. However, there were signs of weakening demand in the industrial water treatment business towards the year-end. The currency exchange effect had a negative impact on revenue of about EUR 21 million. Acquisitions contributed around EUR 31 million to sales growth.

Raw material prices and transportation costs were high and had a negative impact on profitability, despite realized sales price increases. Operating profit for 2008, excluding non-recurring items, was EUR 28.7 million (EUR 46.7 million). Variable costs increased by some EUR 76 million compared with 2007. Sales price increases raised operating profit by about EUR 69 million while lower sales volumes decreased it by approximately EUR 2 million. Acquisitions increased operating profit by some EUR 2 million. Reported operating profit was EUR 10.9 million (EUR 43.6 million), including non-recurring items with a net impact of EUR –17.8 million (EUR –3.1 million). Non-recurring items mainly relate to the Group's cost savings program and restructuring measures, aimed at improving the profitability of Kemira's water treatment chemicals business in the near future.

In April, Kemira announced its intentions to multiply its production capacity in water treatment chemicals in Chongqing, central China, by investing in a new production line for the manufacture of solid polyaluminum chloride. In the highly challenging market conditions, the decision was taken to cancel this investment.

In August, Kemira announced it was investigating ownership alternatives for its subsidiary Galvatek Oy. The conclusion was to sell the company later when the market conditions are favorable. Galvatek specializes in the planning and supply of surface treatment plants, industrial water treatment plants and maintenance services. Galvatek reported revenue of around EUR 5.9 million in 2008.

In September, Kemira announced its intentions to acquire a water treatment chemicals company operating in the Shandong Province of China.

Kemira's acquisition of the Brazilian water treatment chemicals company Nheel Química Ltda was confirmed in November. The acquisition strengthened Kemira's presence in Latin America's biggest and fastest growing water treatment market in Brazil. With this acquisition, Kemira became the largest producer of iron and aluminum salts for water treatment in Brazil. In 2008, Nheel Química's revenue was approximately EUR 34 million.

Pekka Ojanpää was appointed President of Kemira Water business area in February 2008 after Mats Jungar left the company.

KEMIRA SPECIALTY

Kemira Specialty is the leading expert in specialty chemicals in selected customer segments, serving customers in a wide array of industries, such as the food and feed industries, through its customer-driven solutions.

(EUR million)	2008	2007
Revenue	**375.3**	425.9
EBITDA	**62.6**	45.1
EBITDA, %	**16.7**	10.6
Operating profit, excluding non-recurring items	**23.9**	24.1
Operating profit	**36.4**	13.5
Operating profit, excluding non-recurring items, %	**6.4**	5.7
Operating profit, %	**9.7**	3.2
Capital employed*	**401.1**	435.3
ROCE, %	**8.4**	3.1
Capital expenditure, excluding acquisitions	**35.2**	55.0
Free cash flow after investments	**68.8**	–26.3
Personnel at period-end	**325**	1,028

* 12-month rolling average

In the beginning of September 2008, a titanium dioxide joint venture between Kemira Oyj and Rockwood Holdings, Inc. began operating. This joint venture combines Kemira's and Rockwood's titanium dioxide business and Rockwood's functional additives business. The pro forma revenue of the joint venture for 2007 is approximately EUR 560 million. The venture is 61 per cent owned by Rockwood and 39 per cent owned by Kemira. Operating under the name Sachtleben, the new company is the leading producer of specialty titanium dioxide pigments for the synthetic fiber industry, specialty titanium dioxide pigments for packaging inks and specialty titanium dioxide grades for the cosmetics, pharmaceutical and food industries. Sachtleben is also the world's largest producer of synthetic barium sulfate specialties and holds a unique position in the field of zinc sulfide pigments. The joint venture's competitive advantages include the fact that both companies' titanium dioxide production is based on the same production process, and both have strong capabilities in the development of nanoparticles for specialty applications. Formation of the joint venture is part of the implementation of Kemira's new strategy.

In 2008, Kemira Specialty's revenue totaled EUR 375.3 million (EUR 425.9 million). Revenue decreased after the titanium dioxide business was transferred to the joint venture that launched operations in early September. The start-up of the joint venture had a negative impact of some EUR 72 million on revenue, since titanium dioxide was no longer part of Kemira's revenue in September–December. The currency exchange effect had around a EUR 9 million negative impact on revenue. Revenue from continuing business operations rose by 8%.

Kemira Specialty's operating profit in 2008, excluding non-recurring items, was EUR 23.9 million (EUR 24.1 million). Variable costs increased by some EUR 20 million compared with 2007, while sales price increases had a positive effect on operating profit of around EUR 22 million. The start-up of the joint venture had a EUR 1 million positive impact on operating profit, as the result of the JV has been reported under the operating profit line since the beginning of September and due to the titanium dioxide business being loss-making in September–December 2007. Demand and the price level for formic acid and organic salts remained healthy. Operating profit from continuing business operations rose by 38%. The currency exchange effect decreased operating profit by some EUR 5 million. Reported operating profit was EUR 36.4 million (EUR 13.5 million), including non-recurring items with a net impact of EUR 12.5 million (EUR –10.6 million).

The expansion of Kemira's formic acid plant in Oulu, Finland, was completed and the plant was brought on line in July. Kemira is the world's second largest formic acid producer. This investment further strengthens Kemira's market position and makes it better equipped to respond to market needs.

Hannu Virolainen was appointed President of the Kemira Specialty business area in February 2008, after Pekka Ojanpää was appointed President of Kemira Water. In the new organization that entered into force on October 1, 2008, Kemira Specialty's sodium percarbonate business was included in the Paper segment. Kemira will continue to develop the ChemSolutions business as a separate entity, thereby ensuring its profitability and maximum cash flow.

KEMIRA COATINGS

Kemira Coatings. i.e. Tikkurila, is the leading expert in painting and coating solutions in Northern and Eastern Europe, providing services and branded products to consumers, professionals and the industry.

(EUR million)	2008	2007
Revenue	**648.1**	625.2
EBITDA	**78.2**	91.2
EBITDA, %	**12.1**	14.6
Operating profit, excluding non-recurring items	**59.2**	64.3
Operating profit	**59.2**	73.1
Operating profit, excluding non-recurring items, %	**9.1**	10.3
Operating profit, %	**9.1**	11.7
Capital employed*	**323.6**	311.0
ROCE, %	**18.3**	23.9
Capital expenditure, excluding acquisitions	**32.1**	43.5
Free cash flow after investments	**29.5**	20.7
Personnel at period-end	**3,867**	3,789

* 12-month rolling average

Kemira Coatings' revenue in 2008 picked up by 4%, to EUR 648.1 million (EUR 625.2 million). The Baltics saw a slowdown in new construction as well as a decrease in the sales of construction materials since the second quarter of the year. In the final quarter, all key markets for Kemira's paints and coatings business experienced a significant decrease in new construction and a slowdown in property sales. The currency exchange effect had a negative impact on revenue of around EUR 8 million. Acquisitions contributed around EUR 3 million to revenue growth.

Operating profit was EUR 59.2 million (EUR 64.3 million, excluding non-recurring items). A decline in sales volumes had a negative impact on operating profit of around EUR 2 million. Variable costs increased by some EUR 22 million compared with 2007. Sales price increases and product mix changes had an effect on operating profit of around EUR 29 million. Acquisitions decreased operating profit by some EUR 2 million.

In January, a newly constructed paint plant in Nykvarn near Stockholm, Sweden, began operating. The operations of the old factory in Stockholm were housed in the new facility.

Following its strategy, Kemira Coatings is strengthening its position in the Southeast and East European paint markets. In the beginning of July, a trading company by the name of Tikkurila JUB Romania established jointly with the Slovenian paint company JUB launched operations. The company is responsible for the marketing, sales and the distribution of Kemira Coatings' and JUB's decorative paints in Romania. In August, Kemira Coatings announced its intentions to establish a sales company in Minsk to handle the marketing, sales and distribution of Kemira Coatings' decorative paints and industrial coatings in Belarus. Kemira Coatings has also decided on a relocation and major expansion in the production of decorative paints in St Petersburg, Russia. This expansion will significantly increase Kemira Coatings' production volumes of waterborne paints and improve the cost efficiency of production in Russia. During the beginning of 2009, a logistics and service center is expected to be completed in Mytischi near Moscow. It will considerably improve Kemira Coatings' customer service in Moscow and the nearby region. Both decorative paints and industrial coatings businesses are housed in the center. It will also offer facilities for extensive customer training programs, which form an integral part of Kemira Coatings' marketing.

In December, Alcro-Beckers AB announced that it would acquire the Färgglädje Måleributiken AB paint store located in Alvik in Stockholm, Sweden. The store recorded revenue of about SEK 54 million in 2008 (EUR 5.6 million) and employs a staff of approximately 20. The paint store will become the Alcro brand's flagship store.

In December, Kemira's paints and coatings business strengthened its position in Eastern Europe by acquiring the sales company Finncolor Slovakia s.r.o. operating in Martin, Slovakia, from the company's management. Finncolor Slovakia has acted as Tikkurila's importer for decorative paints and industrial coatings in Slovakia.

Visa Pekkarinen, who was responsible for Kemira's paints and coatings business, retired at the end of October 2008 after 20 years within the company, of which eight years as the President of Tikkurila Oy. Erkki Järvinen was appointed President and CEO of Tikkurila Oy effective as of January 1, 2009. Järvinen was previously President and CEO of Rautakirja Corporation, a Sanoma Oyj company.

In January 2009, Tikkurila announced the launch of a Group-wide savings program in order to secure the future competitiveness of its paints and coatings business. The company has set an annual savings target of EUR 25 million and the cost savings program will involve the entire personnel of the Tikkurila Group, totaling approximately 3,800 persons. The program may lead to a reduction of approximately 500 persons in total from the company's payroll, including all of Tikkurila's operating countries. Co-determination negotiations began at Tikkurila's Vantaa site in Finland in January. The negotiations cover the entire workforce of 900 at the Vantaa site and may lead to a reduction of 200 persons in Finland, including temporary personnel.

When Kemira announced its strategy, it also unveiled plans to separate its Coatings business, i.e. Tikkurila, from Kemira and list it on the NASDAQ OMX Helsinki Ltd during the first half of 2009. With this listing, Kemira pursues an increase in overall shareholder value and focuses Kemira's business around water. As the equity, debt and paint markets have weakened, Kemira has decided to postpone the listing. The listing is targeted to take place once market conditions permit.

Other Operations

Other operations include corporate expenses not charged to the business areas, such as some research and development costs and the costs of the Kemira Corporate Center. As of January 1, 2009, other operations will include the ChemSolutions business, which consists of the production of organic acids and salts.

Kemira Oyj Shares and Shareholders

On December 31, 2008, Kemira Oyj had 21,333 registered shareholders (December 31, 2007: 16,723).

Kemira Oyj's largest individual shareholder on December 31, 2008, was Oras Invest Oy with a 16.6 per cent interest (December 31, 2007: 16.6%). Solidium Oy, a fully state-owned enterprise, held 16.5 per cent of the shares (Finnish State held 16.5 per cent on December 31, 2007). Foreign shareholders held 12.8 per cent (18.4), including nominee registered holdings. Other Finnish institutions owned 38.6 per cent (36.6) of the shares and households 12.4 per cent (8.8). At the year-end, Kemira held 3,854,465 million treasury shares (3,854,465), representing 3.1 per cent (3.1) of all outstanding company shares.

On December 11, 2008, the Finnish State transferred its 20,656,500 Kemira Oyj shares, representing 16.5 per cent of Kemira shares and votes, to the fully state-owned enterprise Solidium Oy as a contribution in kind referred to in the Limited Liability Companies Act.

Kemira Oyj share closed at EUR 5.94 at the NASDAQ OMX Helsinki Ltd at the end of 2008 (2007: EUR 14.40). Share price fell 59 per cent during the year. Shares registered a high of EUR 14.77 (EUR 19.20) and a low of EUR 5.42 (EUR 13.11) the share price averaging EUR 8.70 (EUR 16.42). The company's market capitalization, excluding treasury shares, was EUR 719.9 million at the year-end (EUR 1,745.1 million). In 2008, Kemira Oyj's share trading volume on the stock exchange totaled 117.4 million (151.6 million) and was valued at EUR 1,028.4 million (EUR 2,492.9 million).

On December 31, 2008, the company's share capital totaled EUR 221.8 million and the number of registered shares was 125,045,000.

Board of Directors and Auditors

At the Annual General Meeting held on March 19, 2008, seven members were elected to the Board of Directors. Elizabeth Armstrong, Juha Laaksonen, Ove Mattsson, Pekka Paasikivi and Kaija Pehu-Lehtonen were re-elected, while the new members were Jukka Viinanen and Jarmo Väisänen. Pekka Paasikivi was re-elected Chairman and Jukka Viinanen was elected Vice Chairman. The Board of Directors met 15 times during 2008.

Kemira Oyj's Board of Directors has set up three committees: Audit Committee, Compensation Committee, and Nomination Committee. The Audit Committee and the Compensation Committee are both made up of members independent of the Company and elected by the Board of Directors from amongst its members. Juha Laaksonen serves as the Chairman of the Audit Committee and its members are Jarmo Väisänen and Kaija Pehu-Lehtonen. During 2008, the Audit Committee met five times. Pekka Paasikivi is the Chairman of the Compensation Committee and its members are Jukka Viinanen and Ove Mattsson. In 2008, the Compensation Committee met five times.

In December 2008, Kemira Oyj's Board of Directors assembled a Nomination Committee to prepare a proposal for the Annual General Meeting concerning the composition and remuneration of the Board of Directors. The Nomination Committee consists of the representatives of the three largest shareholders as of December 17, 2008 and the Chairman of Kemira Oyj's Board of Directors as an expert member. Jari Paasikivi, Managing Director of Oras Invest Oy, serves as the Chairman of the Nomination Committee. Other members are Pekka Timonen from the State of Finland's Ownership steering as representative of Solidium Oy; Risto Murto, Chief Investment Officer, Varma Mutual Pension Insurance Company; and Pekka Paasikivi, Chairman of Kemira's Board of Directors as an expert member.

The AGM elected KPMG Oy Ab, Authorized Public Accountants, the company's auditor, with Pekka Pajamo, Authorized Public Accountant, acting as chief auditor.

AGM Decisions

Based on a decision by the Annual General Meeting on March 19, 2008, the Group paid out a per-share dividend of EUR 0.50 on April 2, 2008, totaling EUR 60.6 million.

A decision was made at the AGM to amend Article 4 of the current Articles of Association such that references to the Finnish titles "pääjohtaja" (English translation in the current Articles of Association "Chief Executive Officer") and "varapääjohtaja" (English translation in the current Articles of Association "Deputy Chief Executive Officer") will be deleted.

The AGM authorized the Board of Directors to decide upon the repurchase of a maximum of 2,397,515 treasury shares. Shares will be repurchased by using unrestricted equity either through a direct 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 NASDQ OMX Helsinki Ltd ("Stock Exchange") at the market price quoted at the time of the repurchase. Shares will be acquired and paid for in accordance with the Rules of Stock Exchange and the Finnish Central Securities Depository Ltd. Shares may be repurchased for use in implementing or financing mergers and acquisitions, developing the Company's capital structure, improving the liquidity of the Company's shares or implementing the Company's share-based incentive plan. For the purposes mentioned above, the Company may retain, transfer or cancel the shares. The Board of Directors will decide on other terms related to the share repurchase. This authorization will remain valid until the end of the next Annual General Meeting. The Board has not exercised the authorization.

Furthermore, the Annual General Meeting authorized the Board to decide to issue a maximum of 12,500,000 new shares and to transfer a maximum of 6,252,250 treasury shares held by the company. The new shares may be issued and treasury shares held by the Company may be transferred either against payment or, as part of the implementation of the Company's share-based incentive plan, without payment. The new shares may be issued and the treasury shares held by the Company may be transferred to the Company's shareholders in proportion to their current shareholdings in the Company, or through a private placement if the Company has significant financial reasons for doing so, such as financing or implementing mergers and acquisitions, developing its capital structure, improving the liquidity of the Company's shares or if the share issue is justified for the purpose of implementing the Company's share-based incentive plan. The private placement may be carried out without payment only in connection with the implementation of the Company's share-based incentive plan. Furthermore, the subscription price of the new shares shall be recognized under unrestricted equity. The amount payable upon the transfer of treasury shares shall be recognized under unrestricted equity. The Board of Directors will decide on other terms related to the share issues. Moreover, the authorization will remain valid until the end of the next Annual General Meeting. The Board has not exercised this authorization.

Kemira Management Appointments

Harri Kerminen, M.Sc. (Eng.), MBA, took over as the new President and CEO of Kemira on January 1, 2008. Harri Kerminen's previous position was President of Kemira Pulp&Paper. On the same date, Kemira's previous President and CEO Lasse Kurkilahti assumed the position of Senior Advisor to Kemira's Board of Directors. Mr. Kurkilahti remained as Senior Adviser for the first quarter of 2008, after which his contract as President and CEO ended in line with a prior agreement.

Management Boards of Kemira as of October 1, 2008

The Business Management Board of Kemira Oyj is responsible for the operative steering of the businesses and consists of Harri Kerminen, Esa Tirkkonen, Jyrki Mäki-Kala, Petri Helsky, Pekka Ojanpää and Randy Owens.

The Strategic Management Board of Kemira Oyj is responsible for the strategy implementation. As of October 1, 2008, the Strategic Management Board consists of: Harri Kerminen (President and CEO), Esa Tirkkonen (deputy CEO), Petri Helsky (Paper), Pekka Ojanpää (Water), Randy Owens (Oil & Mining), Håkan Kylander (EMEA), Hannu Melarti (North America), Hilton Casas (South America), Ronald Kwan (Asia Pacific), Jyrki Mäki-Kala (CFO, IT), Petri Boman (Supply Chain Management), Johan Grön (R&D, Technology), Jukka

Hakkila (Legal, Risk Management, Internal Audit), Päivi Jokinen (Marketing and Communications) and Eeva Salonen (Human Resources). Timo Leppä was the Executive Vice President, Group Communications, until January 31, 2009.

Changes in Group Structure

Reflecting the new strategy announced in June, Kemira was reorganized as follows:

- Kemira's business is divided into three customer-oriented segments with P/L responsibility: Paper, Water and Oil & Mining.
- Kemira is divided into four geographical areas: North America, South America, Asia Pacific and Europe.
- The functions will be organized globally, and will provide services for all Kemira businesses.

The new organization is effective as of October 1, 2008. Kemira will begin financial reporting according to the new structure from the beginning of 2009.

Acquisitions and divestments carried out during the year are being discussed under business sections.

Parent Company's Financial Performance

The parent company posted revenue of EUR 285.3 million (279.7) and an operating profit of EUR 37.9 million (EUR –22.3 million). The parent company bears the cost of Group management and administration as well as a portion of research costs.

The parent company's net financial expenses came to EUR 16.9 million (EUR 28.9 million). Operating profit totaled EUR 54.7 million (EUR 2.7 million). Capital expenditure totaled EUR 192.5 million (EUR 54.4 million), excluding investments in subsidiaries. The figure includes the formation of the titanium dioxide joint venture.

Dividend Proposal

The Board of Directors will propose a per-share dividend of EUR 0.25 for 2008. Due to the negative net profit, the dividend payout ratio is negative. The dividend payout ratio as a percentage of net income excluding non-recurring items is 86%. For the financial year 2007, Kemira paid out a dividend of EUR 0.50 per share. According to the Board's proposal, the dividend record date is April 15, 2009, and the payment date April 22, 2009. Kemira aims to distribute a dividend that accounts for 40–60% of its operative net income.

Outlook

In 2009, Kemira will continue the efficiency-boosting work underway. Its key focus areas in 2009 will be improving profitability and reinforcing its cash flow and balance sheet.

The annual savings target of the announced global cost savings program is over EUR 85 million, which should be achieved during 2009–2010. Kemira Coatings share of the savings target will amount to EUR 25 million.

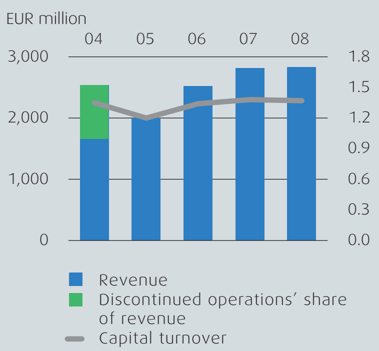
In many of Kemira's customer industries, the market situation is challenging. General economic trends are generating big uncertainty in customers' and Kemira's business operations. During the first quarter of the year, Kemira's revenue is expected to fall due to reduced demand amongst customer industries. During the same period, operating profit excluding non-recurring items is expected to decrease in Kemira Coatings, but rise in the rest of the Group due to the efficiency-boosting measures.

Helsinki, February 24, 2009

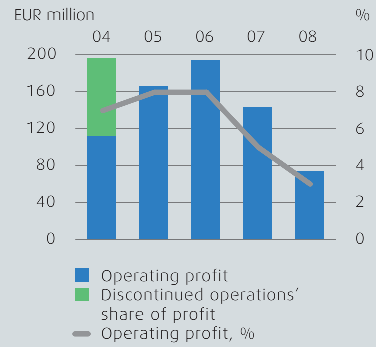
Board of Directors

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.

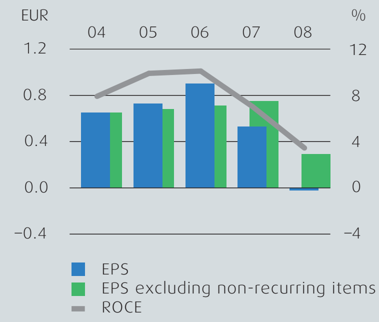
Revenue



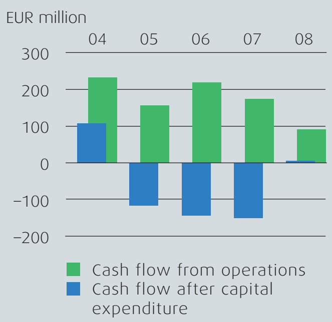
Operating Profit



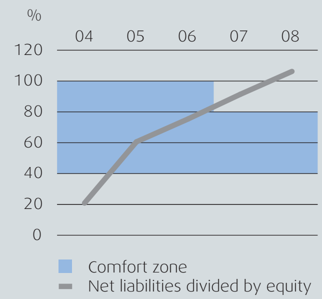
EPS/ROCE



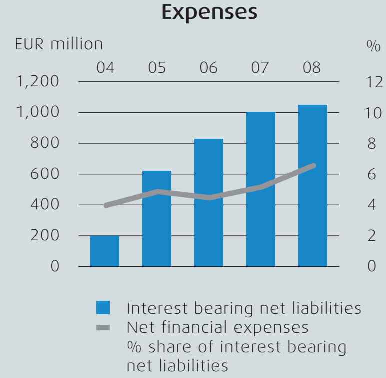
Cash Flows



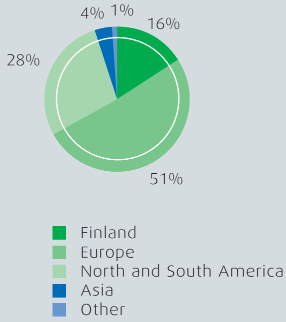
Gearing



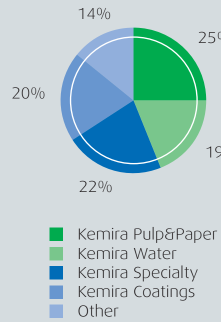
Net Liabilities and Financial Expenses



Revenue by Region

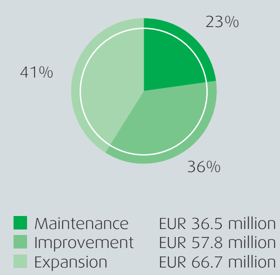


Capital Expenditure by Business Area*



* Excluding acquisitions

Capital Expenditure by Character*



* Excluding acquisitions

Group Key Figures

PER SHARE FIGURES

	2008	2007	2006	2005	2004
Per share figures					
Earnings per share, EUR [1) 3) 5)]	**–0.02**	0.53	0.90	0.73	0.65
Earnings per share, diluted, EUR [1) 3) 5)]	**–0.02**	0.53	0.90	0.73	0.65
Cash flow from operations per share, EUR [1)]	**0.74**	1.42	1.79	1.29	2.20
Dividend per share, EUR [1) 2) 4)]	**0.25**	0.50	0.48	0.36	0.34
Dividend payout ratio, % [1) 2) 3) 4)]	**–1,634.2**	95.2	53.4	49.1	53.1
Dividend yield [1)]	**4.2**	3.5	2.8	2.7	3.4
Equity per share, EUR [1) 3)]	**7.94**	8.85	8.85	8.33	7.69
Price per earnings per share (P/E ratio) [1) 3)]	**–388.28**	27.40	18.96	18.40	15.63
Price per equity per share [1)]	**0.75**	1.63	1.92	1.62	1.32
Price per cash flow per share [1)]	**7.98**	10.14	9.50	10.45	4.62
Dividend paid, EUR million [2) 4)]	**30.3**	60.6	58.1	43.5	40.9
Share price and turnover					
Share price, year high, EUR	**14.77**	19.20	17.17	14.02	11.69
Share price, year low, EUR	**5.42**	13.11	11.07	9.86	9.20
Share price, year average, EUR	**8.70**	16.42	14.19	11.59	10.45
Share price, end of year, EUR	**5.94**	14.40	17.03	13.48	10.16
Number of shares traded (1,000)	**117,397**	151,643	76,252	65,578	41,991
% of number of shares	**97**	125	63	54	34
Market capitalization, end of year, EUR million	**719.9**	1,745.1	2,060.4	1,627.2	1,222.3
Increase in share capital					
Average number of shares (1,000) [1)]	**121,191**	121,164	120,877	120,628	119,187
Average number of shares, diluted (1,000) [1)]	**121,191**	121,194	121,051	121,024	120,202
Number of shares at end of year (1,000) [1)]	**121,191**	121,191	120,988	120,714	120,306
Number of shares at end of year, diluted (1,000) [1)]	**121,191**	121,191	121,204	121,057	120,707
Increase in number of shares (1,000)	**0**	203	274	408	2,136
Share capital, EUR million	**221.8**	221.8	221.6	221.3	220.7
Increase in share capital – share options, EUR million	**0.0**	0.2	0.3	0.6	3.7

1) Number of shares outstanding, excluding the number of shares bought back.
2) The 2008 dividend is the Board of Directors' proposal to the Annual General Meeting.
3) Year 2006 error has been corrected.
4) The total cash dividend payout during 2004 for the 2003 financial year was EUR 39 million (EUR 0.33 per share), in addition to which GrowHow shares were distributed as a dividend to a total amount of EUR 161 million (EUR 1.34 per share). The dividend payout has been calculated according to a dividend of EUR 0.33.
5) In 2004, earnings per share from continuing operations was EUR 0.13, excluding a non-recurring impairment of EUR 0.50 per share.

FINANCIAL FIGURES

	2008	2007	2006 [2]	2005	2004 Continuing	2004
Income statement and profitability						
Revenue, EUR million	**2,833**	2,810	2,523	1,994	1,695	2,533
Foreign operations, EUR million	**2,109**	2,370	2,159	1,642	1,453	2,124
Sales in Finland, %	**15**	15	17	18	14	16
Exports from Finland, %	**10**	12	16	21	27	24
Sales generated outside Finland, %	**75**	73	67	61	59	60
Operating profit, EUR million [1]	**74**	143	194	166	112	196 [4]
% of revenue	**3**	5	8	8	7	8
Share of profit or loss of associates, EUR million [1]	**–3**	2	–2	–2	–4	–3
Financial income and expenses (net), EUR million [3]	**69**	52	37	30	57	68 [3]
% of revenue	**2**	2	1	2	3	3
Interest cover [1]	**4**	6	9	9	4	5 [3]
Gains and losses on discontinuing operations, EUR million [4]	**-**	-	-	-	-	40 [4]
Profit before tax, EUR million	**2**	93	154	134	51	125
% of revenue	**0**	3	6	7	3	5
Net profit for the period (attributable to equity holders of the parent), EUR million	**–2**	64	109	88	15	78
Return on investment (ROI), %	**4**	8	12	11	6	11
Return on equity (ROE), %	**0**	6	10	9	2	8
Return on capital employed (ROCE), %	**3**	7	10	10	8	11
Research and development expenses, EUR million [5]	**71**	66	55	43	39	45
% of revenue	**3**	2	2	2	2	2
Cash flow						
Cash flow from operations, EUR million	**90**	172	217	156	231	262
Disposals of subsidiaries and property, plant and equipment, EUR million	**254**	-	103	132	42	191
Capital expenditure, EUR million	**342**	321	462	402	165	215
% of revenue	**12**	11	18	20	10	9
Cash flow after capital expenditure, EUR million	**3**	–149	–142	–115	108	238
Cash flow return on capital invested (CFROI), %	**4**	8	12	10	13	13
Balance sheet and solvency						
Non-current assets, EUR million	**1,906**	1,877	1,811	1,617	1,135	1,135
Shareholders' equity (attributable to equity holders of the parent), EUR million	**963**	1,072	1,070	1,005	928	928
Shareholders' equity including minority interest, EUR million	**976**	1,087	1,083	1,019	956	956
Liabilities, EUR million	**1,884**	1,741	1,687	1,312	1,087	1,087
Total assets, EUR million	**2,860**	2,828	2,769	2,331	2,043	2,043
Interest-bearing net liabilities, EUR million	**1,049**	1,003	827	620	201	201
Equity ratio, %	**34**	39	39	44	47	47
Gearing, %	**107**	92	76	61	21	21
Interest-bearing net liabilities / EBITDA	**4.3**	3.2	2.6	2.2	0.9	0.6
Personnel						
Personnel (average)	**9,954**	10,008	9,186	7,717	7,110	9,714
of whom in Finland	**2,659**	3,033	3,150	3,146	2,957	3,986
Exchange rates						
Key exchange rates (December 31)						
USD	**1.392**	1.472	1.317	1.180	1.362	1.362
SEK	**10.870**	9.442	9.040	9.388	9.021	9.021
PLN	**4.154**	3.594	3.831	3.860	4.085	4.085
BRL	**3.244**	2.583	2.810	2.745	3.681	3.681

[1] The share of profit or loss of associates is presented after financial expenses.
[2] Year 2006 error has been corrected
[3] Financial income and expenses include impairment and guarantee losses on loan receivables from associated companies, totaling EUR 44.2 million in 2004.
[4] The one-time item in 2004 from discontinued operations is included in operating profit.
[5] The total research and development expenses for 2008 include EUR 4.7 million (EUR 5.1 million) of depreciations on capitalized research and development expenses.

Definitions of Key Figures

PER SHARE FIGURES

Earnings per share (EPS)

Net profit attributable to equity holders of the parent
/ 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

Cash flow from operations
/ Average number of shares

Dividend per share

Dividends paid
/ Number of shares at end of year

Dividend payout ratio

Dividend per share x 100
/ Earnings per share (EPS)

Dividend yield

Dividend per share x 100
/ Share price at end of year

Equity per share

Equity attributable to equity holders of the parent at end of year
/ Number of shares at end of year

Share price, year average

Shares traded (EUR)
/ Shares traded (volume)

Price per earnings per share (P/E)

Share price at end of year
/ Earnings per share (EPS)

Price per equity per share

Share price at end of year
/ Equity per share attributable to equity holders of the parent

Price per cash flow per share

Share price at end of year
/ Cash flow from operations per share

Share turnover, %

Number of shares traded x 100
/ Weighted average number of shares

FINANCIAL FIGURES

Interest-bearing net liabilities

Interest-bearing liabilities – money market investments – cash and cash equivalents

Equity ratio, %

Total equity x 100
/ Total assets – prepayments received

Gearing, %

Interest-bearing net liabilities x 100
/ Total equity

Interest cover

Operating profit + depreciation
/ Net financial expenses

Return on investment (ROI), %

(Profit before taxes + interest expenses + other financial expenses) x 100
/ (Total assets – interest-free liabilities) [1]

Return on equity (ROE), %

Net profit attributable to equity holders of the parent x 100
/ Equity attributable to equity holders of the parent [1]

Cash flow return on investment (CFROI), %

Cash flow from operations x 100
/ (Total assets – interest-free liabilities) [1]

Return on capital employed (ROCE), %

Operating profit + share of profit or loss of associates x 100
/ Capital employed [1] [2]

Capital turnover

Revenue
/ Capital employed [1] [2]

Interest-bearing net liabilities / EBITDA

Interest-bearing net liabilities
/ Operating profit + depreciation

Net financial cost, %

(Net financial expenses – dividend income – exchange rate differences)
/ Interest-bearing net liabilities [1]

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

Consolidated Income Statement (IFRS)

(EUR million)

	Note	**Jan. 1–Dec. 31, 2008**	Jan. 1–Dec. 31, 2007
Revenue		**2,832.7**	2,810.2
Other operating income	3	**51.5**	45.9
Cost of sales	4, 5, 6, 7	**−2,640.8**	−2,539.2
Depreciation and impairments	8, 14	**−169.4**	−173.8
Operating profit		**74.0**	143.1
Financial income	9	**24.7**	182.0
Financial expense	9	**−94.2**	−233.9
Financial income and expenses, net	9	**−69.5**	−51.9
Share of profit or loss of associates	2, 9	**−2.7**	2.1
Profit before tax		**1.8**	93.3
Income tax	10	**0.0**	−25.8
Net profit for the period		**1.8**	67.5
Attributable to:			
Equity holders of the parent		**−1.8**	63.7
Minority interest		**3.6**	3.8
Net profit for the period		**1.8**	67.5
Earnings per share, basic and diluted, EUR	11	**−0.02**	0.53

Consolidated Balance Sheet (IFRS)

(EUR million)

	Note	Dec. 31, 2008	Dec. 31, 2007
ASSETS			
Non-current assets			
Goodwill	12	**655.1**	626.6
Other intangible assets	12	**111.6**	112.3
Property, plant and equipment	13	**765.7**	984.3
Investments			
Holdings in associates	33, 15	**135.6**	5.5
Available-for-sale investments	15, 17	**159.8**	102.2
Deferred tax assets	21	**12.7**	5.2
Other investments		**11.5**	6.4
Total investments		**319.6**	119.3
Defined benefit pension receivables	26	**54.0**	34.6
Total non-current assets		**1,906.0**	1,877.1
Current assets			
Inventories	16	**319.3**	311.2
Receivables	17, 18		
Interest-bearing receivables		**7.6**	3.2
Interest-free receivables		**493.0**	528.5
Current tax assets		**14.4**	19.6
Total receivables		**515.0**	551.3
Money market investments – cash equivalents	32	**87.1**	21.4
Cash and cash equivalents	32	**32.3**	31.2
Total current assets		**953.7**	915.1
Non-current assets held for sale	36	**-**	35.7
Total assets		**2,859.7**	2,827.9
EQUITY AND LIABILITIES			
Equity			
Share capital		**221.8**	221.8
Capital paid-in in excess of par value		**257.9**	257.9
Treasury shares		**–25.9**	–25.9
Fair value reserve		**–23.2**	68.2
Retained earnings		**532.2**	550.0
Equity attributable to equity holders of the parent		**962.8**	1,072.0
Minority interest		**13.2**	15.3
Total equity		**976.0**	1,087.3
Non-current liabilities			
Interest-bearing non-current liabilities	17, 20, 24, 25	**609.2**	431.1
Deferred tax liabilities	21	**89.9**	105.5
Pension liabilities	26	**67.5**	74.2
Provisions	22	**61.8**	18.8
Total non-current liabilites		**828.4**	629.6
Current liabilities			
Interest-bearing current liabilities	17, 23, 24, 25	**559.3**	625.0
Interest-free current liabilities	23	**479.7**	463.9
Current tax liabilities	23	**5.5**	9.7
Provisions	22	**10.8**	6.2
Total current liabilities		**1,055.3**	1,104.8
Liabilities directly associated with non-current assets classified as held for sale	36	**-**	6.2
Total liabilities		**1,883.7**	1,740.6
Total equity and liabilities		**2,859.7**	2,827.9

Consolidated Cash Flow Statement (IFRS)

(EUR million)

	Note	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		**74.0**	145.2
Adjustments to operating profit *		**–26.2**	–37.9
Depreciation and impairments		**169.2**	173.8
Interests		**–75.2**	–36.3
Dividend income		**1.0**	2.0
Income tax paid		**–23.9**	–35.6
Total funds from operations		**118.9**	211.2
Change in net working capital			
Change in inventories		**–38.4**	–7.2
Change in current receivables		**8.2**	19.3
Change in interest-free current liabilities		**1.5**	–51.2
Change in net working capital, total		**–28.7**	–39.1
Total cash flows from operations		**90.2**	172.1
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of subsidiaries	27	**–44.3**	–66.1
Acquisitions of associates		**–136.5**	–0.5
Purchase of other shares		**–10.1**	–8.3
Purchase of other property, plant and equipment		**–150.9**	–246.1
Disposal of subsidiaries	27	**232.5**	18.7
Disposal of associates		**3.9**	–37.4
Proceeds from sale of other shares		**0.1**	-
Proceeds from sale of other property, plant and equipment		**17.8**	18.5
Net cash used in investing activities		**–87.5**	–321.2
Cash flow before financing		**2.7**	–149.1
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in non-current loans (increase +, decrease –)		**426.6**	53.7
Change in non-current loan receivables (increase –, decrease +)		**–7.1**	2.5
Short-term financing, net (increase +, decrease –)		**–282.1**	117.8
Dividends paid		**–64.2**	–60.8
Share issue		**-**	0.2
Other		**–9.1**	12.1
Net cash used in financing activities		**64.1**	125.5
Net change in cash and cash equivalents		**66.8**	–23.6
Cash and cash equivalents at end of year		**119.4**	52.6
Cash and cash equivalents at beginning of year		**52.6**	76.2
Net change in cash and cash equivalents		**66.8**	–23.6

* Non-cash flow items included in operating income (e.g. one-time impairments) and gains / losses on the sale of property, plant and equipment.

The above figures cannot be directly derived from the balance sheet. The cash flows of the business areas are shown in connection with the segment data (Note 2).

Consolidated Statement of Changes in Equity

(EUR million)

	Equity attributable to equity holders of the parent							
	Share capital	Capital paid-in in excess of par value	Fair value and other reserves	Exchange differences	Treasury shares	Retained earnings	Minority interest	Total
Shareholders' equity at January 1, 2007	221.6	257.9	62.7	−30.9	−26.8	585.4	12.6	1,082.5
Available-for-sale assets – change in fair value	-	-	7.2	-	-	-	-	7.2
Exchange differences	-	-	-	−16.2	-	-	0.9	−15.3
Hedge of net investment in foreign entities	-	-	-	6.0	-	-	-	6.0
Cash flow hedging: amount entered in shareholders' equity	-	-	−1.9	-	-	-	-	−1.9
Acquired minority interest	-	-	-	-	-	-	0.4	0.4
Transfer between restricted and non-restricted equity	-	-	0.2	-	-	−0.2	-	0.0
Other changes	-	-	-	-	0.1	0.1	0.2	0.4
Items recognized directly in equity	0.0	0.0	5.5	−10.2	0.1	−0.1	1.5	−3.2
Net profit for the period	-	-	-	-	-	63.7	3.8	67.5
Total recognized income and expenses	0.0	0.0	5.5	−10.2	0.1	63.6	5.3	64.3
Dividends paid	-	-	-	-	-	−58.2	−2.6	−60.8
Share-based compensation	-	-	-	-	-	1.1	-	1.1
Treasury shares issued to key employees	-	-	-	-	0.8	−0.8	-	0.0
Options subscribed for shares	0.2	-	-	-	-	-	-	0.2
Shareholders' equity at December 31, 2007	221.8	257.9	68.2	−41.1	−25.9	591.1	15.3	1,087.3
Shareholders' equity at January 1, 2008	**221.8**	**257.9**	**68.2**	**−41.1**	**−25.9**	**591.1**	**15.3**	**1,087.3**
Available-for-sale assets – change in fair value	**-**	**-**	**35.3**	**-**	**-**	**-**	**-**	**35.3**
Exchange differences	**-**	**-**	**−0.4**	**−72.6**	**-**	**-**	**−1.2**	**−74.2**
Hedge of net investment in foreign entities	**-**	**-**	**-**	**9.1**	**-**	**-**	**-**	**9.1**
Cash flow hedging: amount entered in shareholders' equity	**-**	**-**	**−22.0**	**-**	**-**	**-**	**-**	**−22.0**
Transfer between restricted and non-restricted equity	**-**	**-**	**0.5**	**-**	**-**	**−0.5**	**-**	**0.0**
Other changes	**-**	**-**	**−0.2**	**-**	**-**	**3.2**	**−0.9**	**2.1**
Items recognized directly in equity	**0.0**	**0.0**	**13.2**	**−63.5**	**0.0**	**2.7**	**−2.1**	**−49.7**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**−1.8**	**3.6**	**1.8**
Total recognized income and expenses	**0.0**	**0.0**	**13.2**	**−63.5**	**0.0**	**0.9**	**1.5**	**−47.9**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**−60.6**	**−3.6**	**−64.2**
Share-based compensation	**-**	**-**	**-**	**-**	**-**	**0.8**	**-**	**0.8**
Shareholders' equity at December 31, 2008	**221.8**	**257.9**	**81.4**	**−104.6**	**−25.9**	**532.2**	**13.2**	**976.0**

Consolidated Statement of Changes in Equity

(EUR million)

Changes in share volume

In 1,000	Shares outstanding	Treasury shares	Total
Jan. 1, 2007	120,988	3,980	124,968
Options subscribed for shares	77	-	77
Treasury shares issued to Key employees	144	–144	-
Shares from the share-based arrangement given back	–19	19	-
Dec. 31, 2007	121,191	3,854	125,045

Jan. 1, 2008	**121,191**	**3,854**	**125,045**
Treasury shares issued to Key employees	**-**	**-**	**-**
Shares from the share-based arrangement given back	**-**	**-**	**-**
Dec. 31, 2008	**121,191**	**3,854**	**125,045**

Kemira had in its possession 3,854,465 of its treasury shares at December 31, 2008. Their average share price was EUR 6.73 and they represented 3.1% of the share capital and the aggregate number of votes conferred by all shares.

The capital paid-in in excess of par value is a reserve accumulating through subscriptions entitled by the Management stock option program 2001 and is based on the Finnish Companies Act (734/1978). According to IFRS, the Fair Value reserve is a reserve accumulating based on available-for-sale financial assets (shares) measured at fair value and hedge accounting.

Notes to Consolidated Financial Statements

1.

COMPANY PROFILE

Kemira is a chemicals group which had four business areas during the period under review: Kemira Pulp&Paper (pulp and paper chemicals), Kemira Water (water treatment chemicals), Kemira Specialty (specialty chemicals) and Kemira Coatings (paints). As of January 1, 2009, financial reporting will conform to the new organization consisting of four business functions: Paper, Water, Oil & Mining and Tikkurila.

Kemira is a focused company, best in water and fiber management industry. The company's business includes the water-soluble fertilizer business remaining with Kemira as a result of the spin-off of GrowHow, as well as the energy units.

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. A copy of the consolidated financial statements approved for publication by the Board of Directors of Kemira Oyj at its meeting of February 24, 2009 is available for viewing at www.kemira.com.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

Kemira has prepared its consolidated financial statements in accordance with IAS and IFRS (International Financial Reporting Standards), issued by the IASB (International Accounting Standards Board), and the related SIC and IFRIC interpretations. In the Finnish Accounting Act and its provisions, the International Financial Reporting Standards refer to the approved standards and their interpretations under European Union Regulation No. 1606/2002, regarding the application of the International Financial Reporting Standards applicable within the Community. The standards in effect on December 31, 2008 have been applied to the year 2008 and the comparison year 2007.

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.

As of January 1, 2008, the Group has applied the following interpretations:

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions. This interpretation clarifies the scope of application of the provisions relating to IFRS 2: Share-based Payment. It has not affected the consolidated financial statements and it has been adopted for application within the EU.
- IFRIC 12 Service Concession Arrangements. The Group had no agreements in place with the public sector as referred to in the interpretation in the financial year now ended, or in previous financial years. Adoption of the interpretation for application within the EU is pending.
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. This interpretation applies to post-employment defined benefits and other long-term employee defined benefits involving a minimum funding requirement. It provides guidance on the recognition in the balance sheet of the surplus for the arrangements. The Group has defined benefit pension plans as referred to under the interpretation. Adoption of this interpretation has not affected the consolidated balance sheet. The interpretation has been adopted for application within the EU.
- Amendments of IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets (effective date July 1, 2008). These amendments were issued in October 2008 as a result of the international financial crisis and apply to the reclassification of certain financial assets. Reclassification is permitted in certain exceptional situations. The amendments of the standards had no effect on the consolidated financial statements for 2008, as the consolidated balance sheet at the end of the financial year contained no financial assets as referred to under the amendments, the reclassification of which would be warranted in the Group's estimation. These amendments have been adopted for application within the EU.

Subsidiaries

The consolidated financial statements include the parent company and its subsidiaries. In these companies, the parent company holds, on the basis of its shareholdings, more than half of the voting rights directly or through its subsidiaries, or otherwise exercises control. Divested companies are included in the income statement until the date on which control ceases, and companies acquired during the year are included from the date on which control transfers to the Group.

All intra-Group transactions are eliminated. The purchase method is used to eliminate intra-Group shareholdings. The difference between the acquisition cost over fair value of net assets acquired is partly allocated to the identifiable assets and liabilities. Any resulting excess is recorded as goodwill.

Profit for the financial year attributable to the holders of parent company equity and minority shareholders is presented in the income statement. The portion of equity attributable to minority shareholders is stated as an individual item (minority interest) under equity in the balance sheet. Minority shareholders' share of accrued losses is recognized up to the maximum amount of their investment. Any excess is allocated against the share of majority shareholders, except to the extent that minority shareholders have a binding obligation to cover losses.

Associates

Associated companies are companies over which the Group exercises significant influence (shareholding of 20–50 percent). Holdings in associated companies are presented in the consolidated financial statements 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, in proportion to the Group's holdings.

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, using the proportionate consolidation method.

Foreign Subsidiaries

In the consolidated financial statements, the income statements of foreign subsidiaries are translated into euros using the financial year's average exchange rates and their balance sheets using the exchange rates quoted on the balance sheet date. Any resulting translation difference is recognized as a separate item under equity. Goodwill and fair value adjustments to assets and liabilities that arise upon the acquisition of a foreign entity are accounted for as part of the assets and liabilities of the acquired entity, and translated into euros at the rate quoted on the balance sheet date.

The "Hedge accounting" section describes hedging of net investment in the Group's foreign units. In the consolidated financial statements, the exchange rate gains and losses of such loans and forward and currency swap contracts are credited or charged to equity, as required by hedge accounting requirements, against the translation differences arising from the translation of the shareholders' equity amounts of the most recently adopted balance sheets of the subsidiaries. Other translation differences affecting shareholders' equity are stated as an increase or decrease in equity.

Items Denominated in Foreign Currency

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

Revenue

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

Revenue Recognition

The sale of goods is recognized as revenue in the income statement when major risks and rewards of ownership of the goods have been transferred to the buyer. Construction contracts account for a very insignificant share of consolidated sales. Revenue and costs associated with construction contracts are recognized as revenue and expenses, using the percentage-of-completion method.

Pension Obligations

The Group has various 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 separate pension funds or insurance companies. 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 net total of the following amounts: the present value of the defined benefit obligation less the fair value of plan assets, plus any actuarial gains and less any actuarial losses. Defined benefit plans are calculated by using the Projected Unit Credit Method to arrive at an estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods. Pension costs are recognized as expenses over the employee's service period, using actuarial calculations. The rate used to discount the present value of post-employment benefit obligations is determined by reference to market yields on high quality corporate bonds, or government bonds.

Actuarial gains or losses are recorded 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 plan assets.

The funded portion of the Finnish system under the Employees' Pensions Act (TyEL) and the disability portion are accounted for as a defined benefit plan in respect of the pension plans managed by the Group's own pension funds. Pension fund assets are measured in accordance with IAS 19 (Employee Benefits). The TyEL plans managed by insurance companies are treated as a contribution plan.

Share-based Payments

Cash payments received from share subscriptions based on the exercise of stock options under the program determined in 2001 are recognized in share capital or the share premium fund. Share subscription under the stock option program ended in May 2007. According to the transition provisions of IFRS 2, no expense is recognized in the income statement for these options granted prior to November 7, 2002.

Stock options under the share-based incentive plan for key employees, as decided by the Board of Directors, are measured at fair value on their grant date and expensed over the instrument's vesting period. On each balance sheet date, the Group updates the assumed final number of shares and the amounts of the related cash payment. Note 7 to the Consolidated Financial Statements, Share-based payments, provides information on this arrangement and its measurement factors.

Borrowing Costs

Borrowing costs are expensed as incurred.

Income Taxes

The income taxes presented in the consolidated financial statements include taxes based on the taxable profit of the Group companies for the financial period, and changes in deferred tax assets and liabilities.

Deferred tax liability is calculated on all temporary differences arising between the carrying amount and the taxable value. Deferred tax assets, related e.g. to confirmed losses, are recognized to the extent that it is probable that taxable profit will be available, against which the Group companies are able to utilize these deferred taxes. The tax bases in force on the date of the preparation of the financial statements, or adopted by the balance sheet date for the following financial year, are used in calculating deferred tax assets and liabilities.

Research and Development Expenditure

Research costs are expensed. Development costs, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources to complete its development and use or sell the intangible asset. Since most of the Group's development costs do not meet the above-mentioned capitalization criteria, they are expensed as annual costs.

Capitalized development costs are included in "Other intangible assets" and amortized over the asset's useful life of a maximum of eight years.

Property, Plant and Equipment and Intangible Assets

Property, plant and equipment (PPE) and intangible assets (with definite useful lives) are measured at cost less accumulated depreciation/amortization and any impairment losses.

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

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

Goodwill is measured at cost less any impairment losses.

Gains and losses on the sale of non-current assets are included in operating income and expenses, respectively. Interest expenses are not recognized as part of the acquisition cost of non-current assets. The costs of major inspections or the overhaul of PPE performed at regular intervals and identified as separate components are capitalized and depreciated over their useful lives. Depreciation on PPE discontinues when they are re-classified as available for sale assets.

Government Grants

Government grants related to the purchase of PPE are presented in the balance sheet by deducting the grant from the carrying amount of these assets. These grants are recognized in the income statement in the form of smaller depreciation during the asset's useful life. Government grants related to research and development 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 their inception, 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. Finance leases are presented as part of non-current assets and interest-bearing liabilities. In respect of finance lease contracts, depreciation on the leased asset and interest expenses from the related liability are shown in the income statement.

In respect of operating leases, lease payments are accounted for as expenses.

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

In accordance with IFRIC 4 (Determining whether an Arrangement Contains a Lease), since January 1, 2006 the Group has also treated as leases arrangements that do not take the legal form of a lease but which convey rights to use assets in return for a payment or series of payments.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined on a first-in first-out (FIFO) basis or using a weighted average cost formula, depending on the nature of the inventory. The cost of finished goods and work in progress include a proportion of production overheads of normal level of activity. Net realizable value is the estimated selling price of an inventory item less the estimated costs of sale.

Financial Assets, Financial Liabilities and Derivative Contracts

When financial assets or liabilities are initially accounted for on the trade date, they are measured at cost, which equals the fair value of the consideration given or received. Following their initial measurement, financial assets are classified as financial assets at fair value through profit or loss, loans given by the company and other receivables, and available-for-sale assets.

Category	Financial instrument	Measurement
Financial assets at fair value through profit or loss	Forward contracts, currency options, currency swaps, forward rate agreements, interest rate futures, interest rate options, interest rate swaps, electricity forwards, natural gas hedges, propane futures, certificates of deposit, commercial papers, mutual funds, embedded derivatives	Fair value
Loans and other receivables	Long-term loan receivables, bank deposits, trade receivables and other receivables	(Amortized) acquisition cost
Available-for-sale financial assets	Shares, investments in government bonds	Fair value

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 between knowledgeable, willing parties in an arm's length transaction. Derivative contracts not fulfilling the criteria set for hedge accounting under IAS 39 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.

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

Available-for-sale financial assets are measured at fair value if it is considered that the fair value can be determined reliably. Unrealized changes in the value of available-for-sale financial assets are recognized directly under equity (the tax effect taken into account) up to the time of sale, at which point they are derecognized and transferred to the income statement. Available-for-sale financial assets include investments in government bonds and shares in listed and non-listed companies, the shareholding in Teollisuuden Voima Oy representing the largest investment.

Teollisuuden Voima Oy is a private, electricity-generating company owned by Finnish manufacturing and power companies, to which Teollisuuden Voima Oy (TVO) supplies electricity at cost. The company owns and operates two nuclear power plants in Olkiluoto in the municipality of Eurajoki. In addition to the Olkiluoto nuclear power plant, TVO is a shareholder of the Meri-Pori coal-fired power plant. Kemira Oyj's holding in TVO 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 portion of the holding entitling to electricity from the nuclear power plant currently under construction in Finland was re-measured in 2008. Re-measurement is based on the market price of the shares, which was determined in May 2008 in an external third-party share transaction. In earlier financial statements, these shares entitling to the nuclear power plant under construction were measured at cost.

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. Binding credit facilities are included in current interest-bearing liabilities.

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 is transferred from the company on the selling date. The related expenses are charged to financial expenses.

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 not fulfilling the criteria set for hedge accounting.

Category	Financial instrument	Measurement
Financial assets at fair value through profit or loss	Forward contracts, currency options, currency swaps, forward rate agreements, interest rate futures, interest rate options, interest rate swaps electricity forwards, natural gas hedges, propane forwards, embedded derivatives	Fair value
Other liabilities	Short and long-term loans, pension loans, accounts payable	(Amortized) acquisition cost

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

Changes in the value of forward contracts are calculated by measuring the contracts against the forward exchange rates on the balance sheet date and comparing these with the countervalues calculated through the forward exchange rates on the date of entry into the forward contracts. The fair value of currency options is calculated using the Black & Scholes valuation model for options as adapted to Kemira's currency environment. The input data required for valuation, such as the exchange rate of the destination country's currency, the contract exchange rate, volatility and the risk-free interest rate are obtained from the Reuters system. Moreover, 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 value. As a rule, open derivative contracts at fair value 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 liabilities are booked to balance sheet at original value of received net assets deducted with direct costs. Later the financial liabilities are valued to balance sheet at amortized acquisition cost. The difference of received net assets and amortizations is booked to interest costs during the exercise period of the loan.

The company assesses any impairment losses on its financial instruments on each balance sheet date. An impairment of a financial asset occurs when the company has identified an event with a negative effect on the future cash flows from the investment. 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.

Hedge Accounting

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

Cash flow hedging is used to hedge against cash flow changes attributable to a particular risk associated with a recognized asset or liability in the balance sheet or a highly probable future transaction. Interest rate instruments are used as instruments in hedging cash flows. The Group applies only selected hedging items to its cash-flow hedge accounting, as specified by IAS 39. Changes in the fair value of derivative instruments associated with cash flow hedge are recognized in equity, provided 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.

A net investment made in a foreign operation is hedged against interest rate fluctuations by raising long-term loans in foreign currency and by entering into forward rate agreements and currency swaps. Changes in the value of the effective portion of the fair value of derivative contracts fulfilling the criteria for hedging a net investment in a foreign operation are recognized directly under equity. In forward exchange contracts, the interest rate difference to be left outside the change in value of the hedging relationship is recognized as financial income or expenses. Any gains or losses arising from hedging a net investment are recorded in the income statement when the net investment is sold. The ineffective portion of the hedging is recognized immediately under financial items in the income statement.

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

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

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

Treasury Shares

Purchases of own shares (treasury shares), including the related costs, are deducted directly from equity in the consolidated financial statements.

Provisions

Provisions 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 only if a detailed and appropriate plan has been prepared for it and the plan's implementation has begun or it has been notified to those whom the restructuring concerns. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation on the balance sheet date. If the time value of money is material, provisions will be discounted.

Non-current Assets Held for Sale and Discontinued Operations

Non-current assets held for sale and assets connected with discontinued operations are classified as held for sale, under IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations). They are measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Depreciation on these assets discontinues at the time of classification. A discontinued operation must be recognized as a separate business unit or a unit representing a geographical area. The profit or loss of the discontinued operation is stated as a separate item in the consolidated income statement.

Impairment of Assets

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

Kemira adopted a new organization in October 2008 and the shift to financial reporting according to this new organization took place at the beginning of 2009. Assets in the business segments according to the new organization were tested for impairment. The cash-generating unit has been defined as the customer segment, at a level one notch down from the business segment. Compared to earlier years, the organizational level at which testing takes place did not change at Kemira.

Goodwill impairment is tested by comparing the customer segment's recoverable amount with its carrying amount. Kemira does not have material intangible assets with indefinite useful lives other than goodwill. All goodwill has been allocated to the customer segments.

The recoverable amount of a customer segment is defined as its value in use, which consists of the discounted future cash flows to the unit. Estimates of future cash flows are based on continuing use of an asset and on the latest three-year forecasts by the business unit's management. The 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 revenue.

An impairment loss is recognized in the income statement, whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Losses are recognized in the income statement. Note 14 to the Consolidated Financial Statements 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 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

Kemira holds assigned emissions allowances, under the EU emissions trading system, only at its Helsingborg site in Sweden. Kemira calculates its carbon dioxide allowances and provisions for emissions according to the current IFRS standards. 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). Provisions for the fulfillment of the obligation to return allowances must be recognized if free-of-charge allowances are not sufficient to cover actual emissions. Kemira's 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 to the Consolidated Financial Statements, Environmental Risks and Liabilities, provides information on emissions allowances.

Key Assumptions and Policies; Necessity of Management Judgment

Preparing the financial statements requires the company's management to make certain future accounting estimates and assumptions, and actual results may differ from these estimates and assumptions.

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.

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

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

Recognizing provisions requires the management's estimates, since the precise euro amount of obligations related to provisions is not known when preparing the financial statements. For the recognition of tax losses and other deferred tax assets, the management assesses the probability of a 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.

Changes to the Accounting Policies after December 31, 2008

The following standards, the use of which is not mandatory for the financial year starting on January 1, 2008, but which may be applied prior to their effective date, have not been applied by the Group:

- IFRS 8 Operating Segments (effective date January 1, 2009). The Group estimates that the new standard will not result in any material change to the current reporting by segment, as the segment information disclosed by the Group is already based on the Group's internal reporting structure. The adoption of the standard will primarily affect the way in which segment information is presented in the notes. The segment information in the financial statements will change at the beginning of 2009 owing to the reorganization of the Group. This standard has been adopted for application within the EU.
- IFRS 23 Borrowing Costs (effective date January 1, 2009). The amended standard requires that the acquisition cost of assets meeting the criteria include, in future, the borrowing costs incurred directly from the acquisition, construction or manufacture of the asset in question. The Group has formerly applied the still permitted method of expensing borrowing costs in the financial year in which they incurred. The adoption of the new standard will mean a change to the consolidated financial statements' accounting policies but will not have any material effect on the future financial statements. The amended standard has been adopted for application within the EU.
- Amendment of IAS 1 Presentation of Financial Statements (effective date January 1, 2009) The Group estimates that the amendment will mainly affect the presentation of the income statement and the statement of changes in equity. The amendment of the standard has been adopted for application within the EU.
- IFRS 3 Business Combinations (effective date July 1, 2009). The amendments to the standard affect the amount of goodwill recognized on acquisitions and the assets recognized in the income statement. According to the transitional provisions, business combinations in which the date of acquisition predates the effective date of the standard shall not be adjusted. Adoption of the revised standard for application within the EU is pending.
- IAS 27 Consolidated and Separate Financial Statements (amended in 2008) (effective date July 1, 2009). The amended standard requires changes in the ownership of subsidiaries to be recognized directly in the Group's equity when control remains unchanged. If control is lost, the remaining investment shall be measured at fair value in profit or loss. Associates (IAS 28) and joint ventures (IAS 31) shall in future be accounted for in a corresponding manner. The adoption of the amended standard for application within the EU remains pending.
- Amendment of IFRS 2 Share-based Payment (effective date January 1, 2009). The amendments to the standard will serve to clarify the definition of vesting conditions and provide guidance on the accounting treatment of cancellations relating to equity instruments. The amendment is not expected to affect the Group's reporting. The amendment of the standard has been adopted for application within the EU.
- Amendments of IAS 1 Presentation of Financial Statements and IAS 32 Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation (effective date January 1, 2009). These amendments will not affect future consolidated financial statements. The amendment has been adopted for application within the EU.
- Amendment of the standards IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements. The amendments concern first-time adopters and will have no effect on future consolidated financial statements. Furthermore, the amendments have been adopted for application within the EU.
- Amendment of IAS 39 Financial Instruments. Recognition and Measurement: Eligible Hedged Items (effective date July 1, 2009). The Group estimates that the said amendments, which concern hedge accounting, will have no effect on future consolidated financial statements. Adoption of the revised standard for application within the EU is pending.

The Group estimates that the adoption of the following interpretations will have no effect on future financial statements:

- IFRIC 13 Customer Loyalty Programmes (effective date July 1, 2008). The Group has no customer loyalty programs referred to in the interpretation and the interpretation will thus have no effect on future consolidated financial statements. The interpretation has been adopted for application within the EU.
- IFRIC 15 Agreements for the Construction of Real Estate (effective date January 1, 2009). The interpretation will have no effect on future consolidated financial statements, as the Group is not active in the construction sector. Adoption of the interpretation for application within the EU is pending.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective date October 1, 2008). The interpretation clarifies the accounting treatment in consolidated financial statements of the hedging of a net investment made in a foreign unit. The Group estimates that the interpretation will have no effect on future financial statements. Adoption of the interpretation for application within the EU is pending.

Notes to Consolidated Financial Statements
(EUR million)

2. SEGMENT DATA

Business Segments

At the beginning of 2008, the Group was organized in the following main business areas: Kemira Pulp&Paper, Kemira Water, Kemira Specialty and Kemira Coatings. Segment data for year 2007 was changed on April 18, 2008, because of the transfer in customer segments between Kemira Pulp&Paper and Kemira Water. Intra-Group transfer prices are based primarily on market prices. In some cases, for example where marketing companies are involved, cost-based prices are used, thereby including the margin (cost plus method).

The assets and liabilities of businesses comprise assets and liabilities which can be allocated, directly or justifiably, to the businesses in question. The assets of the business segments include property, plant and equipment, intangible assets, interest in associated companies, inventories and interest-free receivables. Current interest-free liabilities are included in the liabilities of the business segments.

2008	Kemira Pulp&Paper	Kemira Water	Kemira Specialty	Kemira Coatings	Other	Group
Income statement						
External revenue	1,036.7	756.9	362.7	648.1	28.3	2,832.7
Intra-Group revenue	21.0	3.1	12.6	-	−36.7	0.0
Total revenue	1,057.7	760.0	375.3	648.1	−8.4	2,832.7
Operating profit	2.2	10.9	36.4	59.2	−34.7	74.0
Share of profit or loss of associates	-	0.1	−2.8	-	-	−2.7
Other information						
Assets of businesses	983.4	598.6	285.2	387.0	105.0	2,359.2
of which holdings in associates	0.5	0.9	133.7	0.5	0.0	135.6
Unallocated assets						364.9
Consolidated assets, total						2,859.7
Liabilities of businesses	192.6	135.8	39.3	80.2	37.8	485.7
Unallocated liabilities						1,398.0
Consolidated liabilities, total						1,883.7
Capital expenditure	−40.6	−70.2	−172.4	−36.4	−22.2	−341.8
Impairments and reversals of impairments	−25.4	−11.7	−0.8	-	−0.7	−38.6
Other non-cash items	−21.2	−5.9	−0.7	-	−7.7	−35.5
Non-current assets held for sale	-	-	-	-	-	0.0
Cash flows						
Cash flows from operations	72.7	33.5	8.5	60.5	−85.0	90.2
Net capital expenditure	−40.3	−64.4	60.3	−31.0	−12.1	−87.5

(EUR million)

2007	Kemira Pulp&Paper	Kemira Water	Kemira Specialty	Kemira Coatings	Other	Group
Income statement						
External revenue	1,031.6	678.4	410.3	625.2	64.7	2,810.2
Intra-Group revenue	11.4	8.0	15.6	-	–35.0	-
Total revenue	1,043.0	686.4	425.9	625.2	29.7	2,810.2
Operating profit	68.2	43.6	13.5	73.1	–55.3	143.1
Share of profit or loss of associates	-	0.9	-	1.2	-	2.1
Other information						
Assets of businesses	1,034.6	567.9	499.9	397.7	87.9	2,588.0
of which holdings in associates	0.5	4.5	-	0.5	-	5.5
Unallocated assets						239.9
Consolidated assets, total						2,827.9
Liabilities of businesses	152.5	124.9	68.6	84.2	43.5	473.7
Unallocated liabilities						1,266.9
Consolidated liabilities, total						1,740.6
Capital expenditure	–78.5	–105.1	–61.7	–49.3	–26.4	–321.0
Impairments and reversals of impairments	–17.1	–5.9	-	-	–14.9	–37.9
Other non-cash items	-	-	–11.9	-	3.9	–8.0
Non-current assets held for sale	-	-	34.2	-	1.5	35.7
Cash flows						
Cash flows from operations	45.0	34.8	31.8	51.4	9.1	172.1
Net capital expenditure	–69.3	–100.6	–58.1	–30.7	–62.5	–321.2

Geographical segments	2008	2007
Revenue		
Finland	**444.3**	440.5
Other EU countries	**1,111.2**	1,146.0
Rest of Europe	**346.8**	305.4
North and South America	**785.1**	750.6
Asia	**117.0**	134.9
Other countries	**28.3**	32.8
Total	**2,832.7**	2,810.2
Assets		
Finland	**1,038.6**	988.3
Other EU countries	**1,009.5**	1,099.9
Rest of Europe	**121.9**	109.3
North and South America	**645.5**	582.2
Asia	**44.2**	46.2
Other countries	**-**	2.0
Total	**2,859.7**	2,827.9
Capital expenditure		
Finland	**74.7**	99.3
Other EU countries	**177.3**	106.7
Rest of Europe	**20.9**	21.2
North and South America	**66.5**	86.0
Asia	**2.4**	7.8
Other countries	**-**	-
Total	**341.8**	321.0

The revenue of geographical segments is based on the location of customers and the total carrying amount of assets is based on the geographical location of assets.

(EUR million)

3. OTHER OPERATING INCOME

	2008	2007
Gains on sale of property, plant and equipment	**24.8**	20.4
Rental income	**3.1**	1.3
Insurance compensation	**0.6**	4.1
Consulting	**9.6**	14.3
Sale of scrap and waste	**0.7**	0.4
Income from royalties, knowhow and licences	**0.4**	0.5
Other income from operations	**12.3**	4.9
Total	**51.5**	45.9

Gains on sale sale of property, plant and equipment in 2008 include gains on sale of subsidiaries and associated companies of EUR 15.4 million (EUR 12.3 million) as well as gains on sale of property and production facilities.

4. COST OF SALES

	2008	2007
Change in inventories of finished goods	**15.5**	13.7
Own work capitalized [1)]	**-2.5**	−5.5
Materials and services		
Materials and supplies		
Purchases during the financial year	**1,515.3**	1,333.3
Change in inventories of materials and supplies	**-7.3**	4.3
External services	**40.7**	63.3
Total materials and services	**1,548.7**	1,400.9
Personnel expenses	**442.8**	461.4
Rents	**57.6**	43.5
Loss on the sales of property, plant and equipment	**0.5**	1.9
Other expenses	**578.3**	623.3
Total	**2,640.9**	2,539.2

[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.

In 2008, income statement included a net decrease in non-current and current provisions amounting to EUR 47.5 million (net decrease EUR 53.8 million).

The audit fees relate to statutory audit or other common audit related services. The tax service fees relate to tax advising and planning.

Fees and services of auditors
Fees payed for KPMG

	2008	2007
Audit fees	**2.2**	1.8
Ancillary audit services	**0.1**	0.0
Tax services	**0.3**	0.3
Other services	**1.7**	1.6
Total	**4.3**	3.7

Fees for services paid to auditing companies other than KPMG were EUR 2.3 million (EUR 2.5 million).

Notes to Consolidated Financial Statements

(EUR million)

5. RESEARCH AND DEVELOPMENT EXPENSES

	2008	2007
Research and development expenses total	**71.1**	65.9

The total research and development expenses for 2008 include EUR 4.7 million (EUR 5.1 million) of depreciations on capitalized research and development expenses.

2008 Research and development expenses include EUR 11.0 million one-time items due to restructurings. The amount includes both personnel related and other restructuring costs.

6. EMPLOYEE BENEFITS AND NUMBER OF PERSONNEL

	2008	2007
Emoluments of boards of directors and managing directors	**18.3**	19.5
Other wages and salaries	**336.3**	340.9
Pension expenses for defined benefit plans	**–1.1**	15.2
Pension expenses for defined contribution plans	**29.7**	38.5
Other personnel expenses	**59.6**	47.3
Total	**442.8**	461.4

Employee benefits include personnel related restructuring costs of EUR 23.1 million.

	2008	2007
Personnel, average		
Kemira Pulp&Paper	**2,378**	2,315
Kemira Water	**2,311**	2,189
Kemira Specialty	**738**	1,066
Kemira Coatings	**4,027**	3,883
Other	**500**	555
Total	**9,954**	10,008
Personnel in Finland, average	**2,659**	3,033
Personnel outside Finland, average	**7,295**	6,975
Total	**9,954**	10,008
Personnel at year end	**9,405**	10,007

The personnel of joint ventures consolidated according to the proportionate method of accounting totaled an average of 14 (14 in 2007).

(EUR million)

7. SHARE-BASED PAYMENTS

Stock Options under the Share Based Incentive Plan 2001

Kemira Oyj's Annual General Meeting in 2001 decided on a stock option program, entitling members of the Company's management to receive stock options conferring the right to subscribe for a maximum of 2,850,000 Kemira Oyj shares from May 2, 2004 to May 31, 2007. The commencement of the subscription period was conditional and tied to Kemira's consolidated earnings per share after financial items and before taxes and extraordinary items, as well as Kemira Oyj's share price performance in relation to a benchmark index. The share subscription price (exercise price) on May 31, 2007, at the end of the subscription period, under the terms of the stock options, was EUR 1.77. The subscription price is reduced by the amount of future dividends. All remained outstanding stock options (77,389) were subscribed by the end date of the stock option incentive plan, May 31, 2007.

The number of stock options changed in 2007 as follows:	Number of options 1000s	Average exercise price EUR/share
Stock options outstanding at beginning of period, year 2007	77	
Options exercised		
March	–34	2.11
April	–1	2.11
May	–42	1.77
Stock options outstanding and exercisable at end of period, year 2007	0	

There were no outstanding stock options in 2008.

Share-based Incentive Plan

In 2004, Kemira Oyj's Board of Directors decided on a new share-based incentive plan designed for key employees as part of the Group's incentive schemes. This scheme is divided into three performance periods. In February 2006, Kemira Oyj's Board of Directors decided on a new share-based incentive plan for key employees, the performance periods of which are during years 2007, 2008 and 2009.

Bonus payments are contingent on meeting the set financial targets, which were in 2008 measured in terms of earnings per share and return on capital employed. Any bonuses payable comprise two components: Kemira shares and cash. The value of these shares is determined by their closing price quoted on the grant date (at the price quoted on the date of agreeing on the share-based payment). If the requirement of holding the granted shares for two years following their transfer is not fulfilled, they must be returned to Kemira Oyj.

All of the granted shares and cash payments are accounted for over three years within the vesting period. Expected dividends are not taken into account in the fair value measurement. Cash bonus payments are measured at fair value on the basis of the share price on the balance sheet date, and the bonus is approximately 1.1-fold the value of transferred shares. The actual amount of bonuses will reflect to what extent set targets were achieved. The incentive plan involved 77 employees on December 31, 2008 (94). Bonuses payable in shares are charged to personnel expenses and recognized as an addition to equity, while cash bonus payments are charged to personnel expenses and recognized as liabilities. For the share-based plan of 2007 and 2008, there were no expenses recognized as the set targets were not reached.

Annual share-based incentive plans / grant dates	Share price (EUR) at grant date	No. of shares for three years
Share-based plan in 2006: share transfer in 2007 / May 2, 2006	17.98	144,143
The performance period of the plan ends May 1, 2009.		
There are 9,728 returned shares.		

	2008	2007
Outstanding at the beginning of the period	**241,815**	354,473
Granted	**0**	0
Returned	**0**	–18,928
Exercised	**–107,400**	–93,730
Outstanding at the end of period	**134,415**	241,815

(EUR million)

Expenses arising from share-based payments	2008	2007
Share component	1.0	1.3
Cash component	1.6	2.7
Total	2.6	4.0
Liabilities arising from share-based payments, Dec. 31	0.0	–1.1

8. DEPRECIATION AND IMPAIRMENTS

Depreciation according to plan	2008	2007
Intangible assets		
Intangible assets	21.2	21.4
Property, plant and equipment		
Buildings and constructions	21.2	19.9
Machinery and equipment	84.6	91.6
Other property, plant and equipment	3.8	3.0
Total	130.8	135.9
Impairments		
Intangible assets		
Intangible assets	1.4	15.0
Goodwill	2.3	4.2
Property, plant and equipment		
Land and water	0.6	-
Buildings and constructions	8.0	2.9
Machinery and equipment	24.4	15.8
Other tangible assets	1.9	-
Total	38.6	37.9
Depreciation and impairments total	169.4	173.8

For more information on impairments see Note 14.

9. FINANCIAL INCOME AND EXPENSES

	2008	2007
Financial income		
Dividend income	0.1	0.1
Interest income		
Interest income from loans and other receivables	4.7	3.0
Interest income from financial assets valued through profit or loss	18.1	17.3
Interest income from hedge accounting instruments, ineffective portion	0.0	0.0
Other financial income	1.8	1.3
Exchange gains		
Exchange gains from financial assets valued through profit or loss	128.1	44.4
Exchange gains from financial liabilities valued through profit or loss	0.0	0.0
Exchange gains from other liabilities	55.9	115.9
Exchange gains from loans and other receivables	0.0	0.0
Total	208.7	182.0

Notes to Consolidated Financial Statements

(EUR million)

	2008	2007
Financial expenses		
Interest expenses		
Interest expenses from other liabilities	**–62.8**	–55.1
Interest expenses from financial assets valued through profit or loss	**–18.1**	–16.4
Interest expenses from hedge accounting instruments, ineffective portion	**0.0**	0.0
Other financial expenses	**–4.3**	–2.6
Exchange losses		
Exchange losses from financial assets valued through profit or loss	**0.0**	0.0
Exchange losses from financial liabilities valued through profit or loss	**–149.0**	–58.9
Exchange losses from other liabilities	**–44.0**	–100.9
Exchange losses from loans and other receivables	**0.0**	0.0
Total	**–278.2**	–233.9
Total financial income and expenses	**–69.5**	–51.9
Net financial expenses as a percentage of revenue	**2.4**	1.8
Net interests as a percentage of revenue	**2.1**	1.8
Change in equity from hedge accounting instruments		
Hedge of net investments in foreign entitites *	**9.1**	6.0
Cash flow hedge accounting: Amount booked in equity	**–22.0**	–1.9
Total	**–12.9**	4.1
Exchange gains and losses		
Realised	**8.3**	–23.8
Unrealised	**–17.2**	24.3
Total	**–8.9**	0.5
Share of profit or loss of associates		
Share of profit of associates	**0.3**	2.1
Share of loss of associates	**–3.0**	-
Total	**–2.7**	2.1

* The exchange rate differences on foreign currency loans and foreign currency derivatives have been credited or charged directly to shareholders' equity and hedged against the translation differences arising from the consolidation of foreign subsidiaries according to the so called hedge of investment in foreign entities method.

Financial items do not include income or expenses from associated companies.

EUR 2.0 million has been posted as income related to embedded derivatives in 2008.

(EUR million)

10. INCOME TAXES

	2008	2007
Income taxes, current year	**10.5**	24.8
Income taxes, previous years	**5.3**	–0.1
Deferred taxes	**–15.8**	1.1
Total	**0.0**	25.8

Tax losses

Certain Group subsidiaries have tax losses totalling EUR 326.4 million (EUR 316.9 million), which can be applied against future taxable income. All tax losses have not been recognised as deferred tax assets. A limited right to make deductions applies to about 85% of tax losses.

Comparison of taxes calculated according to the current tax rate with taxes in the income statement	2008	2007
Taxes at current tax rates	**26.4**	45.6
Taxes from previous financial years	**5.3**	–0.1
Tax-free income / non-deductible expenditure	**–26.4**	–4.7
Unapplied losses during the financial year	**7.2**	7.1
Used tax losses	**–10.4**	–20.1
Others	**–2.1**	–2.0
Taxes in the income statement	**0.0**	25.8

11. EARNINGS PER SHARE

	2008	2007
Earnings per share		
Profit before tax	**1.8**	93.3
Income taxes for the financial year	**0.0**	–25.8
Net profit for the period	**1.8**	67.5
Attributable to minority interest	**–3.6**	–3.8
Attributable to equity holders of the parent	**–1.8**	63.7
Weighted average number of shares [1)]	**121,190,535**	121,163,866
Earnings per share, EUR	**–0.02**	0.53
Diluted earnings per share		
Average number of shares [1)]	**121,190,535**	121,163,866
Effect of options outstanding (average)	**0**	17,759
Potential treasury share transaction related to share-based payment arrangement (average)	**0**	12,011
Diluted average number of shares	**121,190,535**	121,193,636
Diluted earnings per share, EUR	**–0.02**	0.53

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

(EUR million)

12. INTANGIBLE ASSETS

	Goodwill	Intangible assets	Prepayments	2008 total
Acquisition cost at beginning of year	630.8	214.9	14.3	**860.0**
Acquisition of subsidiaries	32.3	4.0	-	**36.3**
Increases	-	22.3	2.0	**24.3**
Disposal of subsidiaries	−4.6	−8.7	-	**−13.3**
Decreases	-	−4.3	-	**−4.3**
Other changes	−1.0	−1.0	−0.6	**−2.6**
Reclassifications	-	12.8	−12.8	**0.0**
Exchange rate differences	4.1	−2.8	−0.1	**1.2**
Acquisition cost at end of year	661.6	237.2	2.8	**901.6**
Accumulated depreciation at beginning of year	−4.2	−116.9	-	**−121.1**
Accumulated depreciation relating to decreases and transfers	-	9.5	-	**9.5**
Depreciation during the financial year	-	−21.2	-	**−21.2**
Impairment and charges	−2.3	−1.4	-	**−3.7**
Exchange rate differences	-	1.6	-	**1.6**
Accumulated depreciation at end of year	−6.5	−128.4	-	**−134.9**
Net carrying amount at end of year	655.1	108.8	2.8	**766.7**

	Goodwill	Intangible assets	Prepayments	2007 total
Acquisition cost at beginning of year	581.0	193.2	1.3	775.5
Acquisition of subsidiaries	21.4	10.6	0.2	32.2
Increases	0.2	17.2	13.0	30.4
Disposal of subsidiaries	-	−0.1	-	−0.1
Decreases	-	−6.1	-	−6.1
Other changes	−1.2	-	−0.1	−1.3
Reclassifications	37.4	-	-	37.4
Exchange rate differences	−8.0	0.1	−0.1	−8.0
Acquisition cost at end of year	630.8	214.9	14.3	860.0
Accumulated depreciation at beginning of year	0.0	−85.6	-	−85.6
Accumulated depreciation relating to decreases and transfers	-	5.8	-	5.8
Depreciation during the financial year	-	−21.4	-	−21.4
Impairment and charges	−4.2	−15.0	-	−19.2
Exchange rate differences	-	−0.7	-	−0.7
Accumulated depreciation at end of year	−4.2	−116.9	-	−121.1
Net carrying amount at end of year	626.6	98.0	14.3	738.9

There was no goodwill related to associated companies in 2008 and 2007. Apart from goodwill, the Group did not have intangible assets with indefinite useful lives.

(EUR million)

13. PROPERTY, PLANT AND EQUIPMENT

	Land and water	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Prepayments and non-current assets under construction	**2008 total**
Acquisition cost at beginning of year	51.2	501.8	1,463.6	36.9	138.0	**2,191.4**
Acquisition of subsidiaries	-	0.9	3.8	1.6	-	**6.3**
Increases	3.3	17.9	91.8	5.8	9.1	**127.9**
Disposal of subsidiaries	−1.5	−69.7	−325.1	−6.1	−36.6	**−439.0**
Decreases	−0.2	−10.7	−52.8	−2.0	−0.4	**−66.1**
Non-current assets held for sale	-	4.9	12.9	-	-	**17.8**
Other changes	−0.2	−4.8	−4.6	1.9	−0.1	**−7.8**
Reclassifications	0.2	12.7	33.2	−0.3	−48.7	**−2.9**
Exchange rate differences	−4.6	−19.7	−53.7	−1.7	−5.3	**−85.0**
Acquisition cost at end of year	48.2	433.3	1,169.1	36.1	56.0	**1,742.6**
Accumulated depreciation at beginning of year	−7.7	−237.6	−942.8	−19.0	-	**−1,207.1**
Accumulated depreciation relating to decreases and transfers	-	40.0	280.7	4.1	-	**324.8**
Depreciation during the financial year	-	−21.2	−84.6	−3.8	-	**−109.6**
Impairment and charges	−0.6	−8.0	−24.4	−1.9	-	**−34.9**
Non-current assets held for sale	-	-	-	-	-	**0.0**
Other changes	-	0.2	−0.1	0.7	-	**0.8**
Exchange rate differences	-	11.9	36.7	0.5	-	**49.1**
Accumulated depreciation at end of year	−8.3	−214.7	−734.5	−19.4	-	**−976.9**
Net carrying amount at end of year	39.9	218.6	434.5	16.7	56.0	**765.7**

	Land and water	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Prepayments and non-current assets under construction	2007 total
Acquisition cost at beginning of year	52.2	459.6	1,453.3	31.9	168.0	2,164.9
Acquisition of subsidiaries	1.7	7.6	19.0	0.1	−14.1	14.3
Increases	1.5	57.7	113.4	5.2	37.9	215.7
Disposal of subsidiaries	-	−2.1	−4.2	−1.1	−0.4	−7.8
Decreases	−1.1	−11.6	−67.5	−2.1	−0.3	−82.6
Non-current assets held for sale	−0.5	−6.9	−21.9	0.8	-	−28.5
Other changes	−0.1	0.1	−4.0	2.4	−1.1	−2.7
Reclassifications	−0.3	6.0	2.5	-	−45.7	−37.5
Exchange rate differences	−2.2	−8.6	−27.0	−0.3	−6.3	−44.4
Acquisition cost at end of year	51.2	501.8	1,463.6	36.9	138.0	2,191.4
Accumulated depreciation at beginning of year	−7.7	−231.1	−920.8	−18.2	-	−1,177.8
Accumulated depreciation relating to decreases and transfers	-	10.5	67.7	1.9	-	80.1
Depreciation during the financial year	-	−19.9	−91.6	−3.0	-	−114.5
Impairment and charges	-	−2.9	−15.8	-	-	−18.7
Non-current assets held for sale	-	1.6	0.1	-	-	1.7
Other changes	-	0.6	6.1	0.1	-	6.8
Exchange rate differences	-	3.6	11.5	0.2	-	15.3
Accumulated depreciation at end of year	−7.7	−237.6	−942.8	−19.0	-	−1,207.1
Net carrying amount at end of year	43.5	264.2	520.7	17.9	138.0	984.3

(EUR million)

Finance Lease Assets

Property, plant and equipments include assets acquired using finance lease agreements as follows:

	2008	2007
Acquisition cost	6.8	6.1
Accumulated depreciations	−2.0	−1.1
Acquisition cost	4.8	5.0

14. IMPAIRMENT TESTS

The Group's Accounting Policies set out the principles and process of testing assets for impairment.

The impairment tests were performed on September 30, 2008. Tests were done according new business structure which started operationally at the beginning of October 2008. Financial reporting was changed over to the new structure from the beginning of 2009. The new segments are Paper, Water, Oil & Mining and Tikkurila. In new business structure Kemira has defined its customer segment as a cash generating unit. The level of a customer segment is one notch down from a segment. Other basis for testing are the same as in previous years.

The carrying amounts of non-current assets and goodwill are the following:

Dec. 31, 2008 Segment	Carrying amount [1]	Of which goodwill
Paper	679	306
Water	272	122
Oil & Mining	116	50
Tikkurila	211	68
Other	176	109
Total	1,454	655

[1] Carrying amount excludes the assets of the CEO-office.

Dec. 31, 2007 Segment	Carrying amount [2]	Of which goodwill
Kemira Pulp&Paper	682	322
Kemira Water	345	123
Kemira Specialty	365	113
Kemira Coatings	204	68
Total	1,596	626

[2] Carrying amount excludes the assets of the Kemira Corporate Center and the former water-soluble fertilizers unit.

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 three-year forecast period was assumed to be zero.

Determination of discount rates was changed 2008 since the risk profile between customer segments within same segment is now more similar with new business structure and business divestments and acquisitions. Discount rates were based on group's adjusted weighted average cost of capital (WACC). New risk-adjusted WACC rate was determined to every segment.

Segment	**Discount rates 2008**
Paper	**9%**
Water	**10%**
Oil & Mining	**10%**
Tikkurila	**9%**
Other	**10%**

2007 discount rates were determined for each cash-generating unit, based on the volatility of cash flows between 2002 and 2007, and varied from 7 per cent to 10 per cent.

Segment	Range of discount rates 2007
Kemira Pulp&Paper	7–10%
Kemira Water	8–10%
Kemira Specialty	8–10%
Kemira Coatings	9–10%

The sensitivity analysis was made under the assumption that there would be a decline in the cash flows' growth rate, both during and after the forecasting period. A general increase in interest rates has also been taken into consideration as well as a change in the company's willingness to take risk and deterioration of profitability. Increase in interest rate would have a greater effect than deterioration of cash flows in most of the customer segments. Only simultaneus disadvantageous change in several factors could involve the risk of impairment losses in some units.

The Group's recoverable amount is double the carrying amount. Impairment tests did not reveal any need to recognize impairment losses.

Impairments Recognized at December 31, 2008

Due to the cost savings program Kemira has booked EUR 38.6 million impairment for the last quarter of 2008. The effect of the write-downs on segments are as follows: Kemira Pulp&Paper EUR 25.4 million, Kemira Water EUR 11.7 million, Kemira Specialty EUR 0.8 million and Other EUR 0.7 million.There are four classes of impaired assets:

- The productions lines will be closed in the following sites: Longview and Mobile in the United States, Brazil, Krems in Austria and Vaasa in Finland. The total impairment of these sites is EUR 9.6 million.
- The following sites will be closed down: Kemira (Yixing) Co., Ltd and Kemira Water Solutions (Chongqing) Co., Ltd sites in China are considered not having a fair value. The fair value of Columbus site in the Unites States is based on future cash flows that wll be generated from on-going operations until the site closes at the end of 2009. The total impairment of these three sites is EUR 16.2 million.
- The fair value of Hydrogen peroxide site in Maitland Canada is lower than its carrying value due to declining markets in North America due to structural changes in the customer industry. The impairment of this site is EUR 7.4 million.
- Other smaller impairments due to closures of sites and decreased fair values amount EUR 5.4 million. These impairments are in Canada, in the Netherlands, in Spain and in Finland.

Personnel related restructuring costs EUR 23.1 million are related to above mentioned impairments. See note 6.

Impairments recognized at December 31, 2007

In connection with the strategic review process currently under way in Kemira, it was decided to take actions that will involve the write-downs of approximately EUR 47.1 million. The write-downs were recorded for the final quarter of 2007 and did not affect the cash flow. The effect of the write-downs on business areas are as follows: Kemira Pulp&Paper EUR 17.1 million, Kemira Water EUR 5.9 million, Kemira Specialty EUR 9.2 million and other business EUR 15.0 million.

There are four classes of impaired assets:

- The investment calculation of Group's enterprise resource planning (ERP) system has been updated. The inputs necessary for the ERP system will deviate from the original plan and therefore EUR 15.0 million impairment has been booked. The fair value has been determined by calculating value in use.
- Kemira acquired four subsidiaries of Parcon A/S in October 2006. The fair value has been determined by calculating value in use. Due to the lower net present value of future cash flows an impairment of EUR 4.2 million has been booked.
- The fair value of six USA production sites is lower than their carrying value. The production sites are Washougal Silica, Columbus Tech Center, Fortville, West Oak, Shreveport and Mobile. The total impairment (including exit costs) of these sites is EUR 6.3 million. The fair value of these sites has been determined based on independent appraisals and current market value assessments.
- The value of the Hydrogen peroxides plant in the Netherlands is lower than its carrying value due to the decreased price level in the market as a result of the hydrogen peroxide market capacity situation. The total impairment of the plant is EUR 12.5 million. The plant is considered not having a fair value.

Write-down of non-current assets held for sale:

- In connection with the strategic review process, it was decided to classify the assets and liabilities of the strategic business unit Chemidet as assets held for sale. The strategic business unit belongs to Kemira Specialty Business Area. There are negotiations on going for the disposal. The loss recognised in the income statement amounts to EUR 9.2 million.

(EUR million)

15. INVESTMENTS

	2008 Holdings in associates	2007 Holdings in associates	2008 Available-for-sale investments	2007 Available-for-sale investments
Carrying amount at beginning of year	**5.5**	8.1	**102.2**	84.3
Share of profit or loss of associates	**–2.7**	0.1	**-**	-
Increases	**136.5**	0.4	**10.1**	8.2
Decreases	**–2.7**	–2.9	**-**	-
Change in fair value	**-**	-	**47.7**	9.7
Exchange rate differences	**–1.0**	–0.2	**–0.2**	-
Net carrying amount at end of year	**135.6**	5.5	**159.8**	102.2

	2008	2007
Holdings in associates	**135.6**	5.5
Available-for-sale investments	**159.8**	102.2
Other receivables	**4.1**	5.6
Deferred tax assets	**12.7**	5.2
Non-current loan receivables	**7.4**	0.8
Total investments	**319.6**	119.3

Associated companies are specified in Note 33.

Available-for-sale financial assets include also shares entitling to electricity from a nuclear power plant currently under construction in Finland. In previous financial statements these shares have been accounted at acquisition value. In May 2008, the market price of these nuclear power plant shares was determined by an external third party share trading transaction. The Group has booked a revaluation of the shares based on the market transaction.

Available for sale financial assets do not include listed shares.

16. INVENTORIES

	2008	2007
Materials and supplies	**95.9**	98.7
Work in process	**2.1**	5.3
Finished goods	**219.9**	204.4
Prepayments	**1.4**	2.8
Total	**319.3**	311.2

(EUR million)

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

2008	Note	Financial instru-ments under hedge accounting	Financial assets at fair value through profit and loss	Loans and other receivables	Available-for-sale invest-ments	Other liabilities	Total carrying amounts by balance sheet item	Total fair value
Non-current financial assets								
Investments								
Available-for-sale investments	15	-		-	159.8	-	**159.8**	**159.8**
Other investments					2.0		**2.0**	**2.2**
Current financial assets								
Receivables								
Interest-bearing receivables	18	-		7.6	-	-	**7.6**	**7.6**
Interest-free receivables	18							
Accounts receivable				396.5			**396.5**	**396.5**
Other receivables		0.2	24.1				**24.3**	**24.3**
Money market investments			85.0				**85.0**	**85.0**
Cash and cash equivalents				32.3			**32.3**	**32.3**
Total		0.2	109.1	436.4	161.8	0.0	**707.5**	**707.7**
Non-current financial liabilities								
Interest-bearing non-current liabilities	20, 24							
Loans from financial institutions		-	-	-	-	567.2	**567.2**	**567.2**
Pension loans		-	-	-	-	37.2	**37.2**	**37.2**
Other non-current liabilities		-	-	-	-	4.8	**4.8**	**4.8**
Current financial liabilities								
Interest-bearing current liabilities	23, 24							
Loans from financial institutions		-	-	-	-	508.3	**508.3**	**508.3**
Current portion of pension loans		-	-	-	-	0.7	**0.7**	**0.7**
Current portion of other non current liabilities		-	-	-	-	34.9	**34.9**	**34.9**
Other interest-bearing current liabilities		-	-	-	-	15.3	**15.3**	**15.3**
Interest-free current liabilities	23							
Accounts payable		-	-	-	-	240.1	**240.1**	**240.1**
Other liabilities		18.4	16.3	-	-	-	**34.7**	**34.7**
Interest-free current liabilities		-	-	-	-	-	**0.0**	**0.0**
Total		18.4	16.3	0.0	0.0	1,408.5	**1,443.2**	**1,443.2**

(EUR million)

2007	Note	Financial instru-ments under hedge accounting	Financial assets at fair value through profit and loss	Loans and other receivables	Available-for-sale invest-ments	Other liabilities	Total carrying amounts by balance sheet item	Total fair value
Non-current financial assets								
Investments								
Available-for-sale investments	15	-	-	-	102.2	-	102.2	102.2
Other investments		-	-	-	6.4	-	6.4	6.6
Current financial assets								
Receivables								
Interest-bearing receivables	18	-	-	3.2	-	-	3.2	3.2
Interest-free receivables	18							
Accounts receivable		-	-	413.1	-	-	413.1	413.1
Other receivables		12.1	13.5	-	-	-	25.6	25.6
Money market investments		-	15.0	-	-	-	15.0	15.0
Cash and cash equivalents		-	-	31.2	-	-	31.2	31.2
Total		12.1	28.5	447.5	108.6	0.0	596.7	596.9
Non-current financial liabilities								
Interest-bearing non-current liabilities	20, 24							
Loans from financial institutions		-	-	-	-	384.9	384.9	384.9
Pension loans		-	-	-	-	46.2	46.2	46.2
Other non-current liabilities		-	-	-	-	-	0.0	0.0
Current financial liabilities								
Interest-bearing current liabilities	23, 24							
Loans from financial institutions		-	-	-	-	552.6	552.6	552.6
Pension loans		-	-	-	-	15.7	15.7	15.7
Current portion of other non-current liabilities		-	-	-	-	34.7	34.7	34.7
Other interest-bearing current liabilities		-	-	-	-	22.0	22.0	22.0
Interest-free current liabilities	23							
Accounts payable		-	-	-	-	229.2	229.2	229.2
Other liabilities		0.1	7.6	-	-	-	7.7	7.7
Interest-free current liabilities		-	-	-	-	-	0.0	0.0
Total		0.1	7.6	0.0	0.0	1,285.3	1,293.0	1,293.0

The Group does not have investments in listed shares.
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.

18. RECEIVABLES

	2008	2007
Interest-bearing receivables		
Loan receivables	**0.2**	0.1
Finance lease receivables	**0.8**	1.8
Other receivables	**6.6**	1.3
Total interest-bearing receivables	**7.6**	3.2

	2008	2007
Interest-free receivables		
Trade receivables	**396.5**	413.1
Prepayments	**3.9**	4.5
Current tax asset	**14.4**	19.6
Accrued income	**75.8**	67.7
Derivatives	**1.2**	0.0
Other receivables	**15.6**	43.2
Total interest-free receivables	**507.4**	548.1
Total receivables	**515.0**	551.3

Items that are due over one year include trade receivables of EUR 4.9 million (EUR 3.8 million in 2007), prepaid expenses and accrued income of EUR 4.0 million (EUR 7.2 million) and other interest-free receivables of EUR 0.1 million (EUR 0.5 million) as well as loan receivables of EUR 0.2 million (EUR 0.1 million) and other interest-bearing receivables of EUR 1.0 million (EUR 1.6 million).

	2008	2007
Finance lease receivables – total minimum leases		
Within one year	**0.4**	0.7
After one year but no more than five years	**0.4**	1.1
Total	**0.8**	1.8
Finance lease receivables – the present value of minimum lease payments		
Within one year	**0.4**	0.6
After one year but no more than five years	**0.4**	1.1
Total	**0.8**	1.7
Future finance income	**-**	0.1
Total finance lease receivables	**0.8**	1.8

19. RELATED PARTIES DISCLOSURE

Parties are considered belonging to each other's related parties if one party is able to exercise control over the other or substantial influence in decision-making concerning its finances and business operations. The Group's related parties include the parent company, subsidiaries, associated companies and joint-ventures. Related parties also include the members of the Supervisory Board, Board of Directors and the Group's Management Boards, the CEO and his deputy and their near family members. Key management persons are the members of the Group Management Boards.

Employee benefits of key management personnel, EUR million	2008	2007
Wages, salaries and other short-term employee benefits	**3.6**	4.5
Post-employment benefits	**0.7**	2.0
Share-based payment	**-**	2.8
Total	**4.3**	9.3

The emolument of Kemira Oyj's managing director was EUR 656,832 (1,660,727), including bonuses of EUR 7,380 (1,003,262). The managing director did not receive any part of bonuses (15,300) as Kemira shares. The emolument of Kemira Oyj's deputy managing director was EUR 322,760 (773,717), which did not include bonuses (462,257). In 2007, the deputy managing director received as part of bonuses 6,962 Kemira shares.

No loans had been granted to management in the end of 2008 and 2007, nor were there any contingency items and contingent liabilities on behalf of key personnel. Persons belonging to the Company's key management, including parties closely associated with them, are not involved in substantial business relationships with the Company.

Management's share-based incentive plan is specified in Note 7.

(EUR million)

Management's Pension Commitments and Termination Benefits

Kemira Oyj's Board of Directors appointed Harri Kerminen as the new managing director of Kemira Oyj as of January 1, 2008. Harri Kerminen's contract period is until 2013, when he will be 62 years old. The deputy managing director of Kemira is entitled to retire at the age of 60.

The maximum remuneration for the deputy managing director and for the new managing director is 66% of the pension-based salary. The possibility is based on the benefits of the supplementary pension foundation that has been closed to new members since January 1, 1991. The supplementary pension foundation's benefits concern all the personnel whose years of service and other conditions concerning the granting of a pension have been fulfilled. Similar arrangements have been made in other Group companies.

The period of notice of Kemira Oyj's managing director is 6 months. In case the company would give notice to the managing director, he will receive an emolument equaling 12 months' salary. The respective periods for the deputy managing director are 6 months and 18 months.

Board of Directors emoluments, EUR	2008	2007
Members of the Board of Directors		
Pekka Paasikivi, Chairman (since October 4, 2007)	**73,219**	14,517
Anssi Soila, Chairman (until October 4, 2007)		55,265
Jukka Viinanen, Vice Chairman (since March 19, 2008)	**40,768**	
Eija Malmivirta, Vice Chairman (until March 19, 2008)	**11,550**	52,200
Elizabeth Armstrong	**66,555**	61,800
Heikki Bergholm (until October 4, 2007)		32,393
Juha Laaksonen (since October 4, 2007)	**42,905**	9,006
Ove Mattson	**53,355**	52,200
Kaija Pehu-Lehtonen	**42,305**	38,400
Markku Tapio (until March 19, 2008)	**10,050**	40,800
Jarmo Väisänen (since March 19, 2008)	**34,174**	

Supervisory Board emoluments, EUR	2007
Members of the Supervisory Board	
Aulis Ranta-Muotio, Chairman	9,974
Mikko Elo, I Vice Chairman	6,104
Heikki A. Ollila, II Vice Chairman	6,104
Pekka Kainulainen	5,387
Mikko Långström	5,387
Susanna Rahkonen	5,187
Risto Ranki	5,387
Katri Sarlund	5,187

The extraordinary general meeting of Kemira Oyj on October 4, 2007 decided to dissolve the Supervisory Board. Activites of the Supervisory Board ended on October 4, 2007.

Other Related Party Disclosure

Sales and purchases of goods and services to and from associates as well as receivables from associates are specified in Note 33. The amount of contingent liabilities on behalf of associates are presented in Note 29.

Kemira's Finnish pension foundations and funds are legal units of their own and they manage part of the pension assets of the Group's personnel in Finland. The assets include Kemira shares representing 0.15% of the company's outstanding shares.

The pension foundations own 2.6% of Pohjolan Voima stock. Kemira Oyj buys electricity from Pohjolan Voima in proportion to its share of ownership for Group use and also for selling it to associated companies. Sales of electricity to subsidiaries in 2008 were EUR 34.3 million (EUR 31.4 million) and to associated companies EUR 11.5 million (to other companies EUR 1.0 million). The shareholders can buy electricity from the company at a price that covers its production expenses. This price has been clearly below the average market prices.

According to the Finnish Companies Act, over one percentage ownerships are included in related parties. These ownerships are listed in the paragraph ”shares and shareholders” in table ”largest shareholders”.

(EUR million)

20. NON-CURRENT INTEREST-BEARING LIABILITIES

	2008	2007
Loans from financial institutions	**567.2**	378.9
Loans from pension institutions	**37.2**	46.2
Other non-current liabilities to others	**4.8**	6.0
Total	**609.2**	431.1
Non-current interest-bearing liabilities maturing in		
2010 (2009)	**81.6**	17.4
2011 (2010)	**59.0**	54.7
2012 (2011)	**31.1**	49.8
2013 (2012)	**63.9**	72.2
2014 (2013) or later	**373.6**	237.0
Total	**609.2**	431.1
Interest-bearing liabilities maturing in 5 years or longer		
Loans from financial institutions	**356.8**	199.0
Loans from pension institutions	**14.2**	35.9
Other non-current interest-bearing liabilities	**2.6**	2.1
Total	**373.6**	237.0

The foreign currency breakdown of non-current loans is presented in Management of financial risks, Note 32.

The Group has neither debentures nor convertible or other bonds.

(EUR million)

21. DEFERRED TAX LIABILITIES AND ASSETS

2008	Jan. 1, 2008	Recognized in the income statement	Recognized in equity	Acquired / disposed subsidiaries	**Dec. 31, 2008**
Deferred tax liabilities					
Cumulative depreciation in excess of / less than plan	72.4	−4.8	-	−16.5	**51.1**
Available-for-sale financial assets	20.7	-	13.0	-	**33.7**
Pensions	10.7	3.1	-	-	**13.8**
Fair value of acquired subsidiaries *	19.0	−5.0	-	1.0	**15.0**
Other	23.9	−9.9	−7.1	-	**6.9**
Total	146.7	−16.6	5.9	−15.5	**120.5**
Tax assets deducted	−41.2				**−30.6**
Total deferred tax liabilities in the balance sheet	105.5				**89.9**
Deferred tax assets					
Internal stock margin	2.2	0.3	-	-	**2.5**
Provisions	5.2	9.4	-	−2.3	**12.3**
Tax losses	25.2	−3.6	-	-	**21.6**
Pensions	5.0	−1.8	-	-	**3.2**
Other	8.8	−5.1	-	-	**3.7**
Total	46.4	−0.8	0.0	−2.3	**43.3**
Deferred tax liabilities deducted	−41.2				**−30.6**
Deferred tax assets in the balance sheet	5.2				**12.7**

2007	Jan. 1, 2007	Recognized in the income statement	Recognized in equity	Acquired / disposed subsidiaries	Dec. 31, 2007
Deferred tax liabilities					
Cumulative depreciation in excess of / less than plan	78.0	−1.4	−4.2	-	72.4
Available-for-sale financial assets	18.2	-	2.5	-	20.7
Pensions	6.3	4.4	-	-	10.7
Fair value of acquired subsidiaries *	15.0	0.5	-	3.5	19.0
Other	9.0	15.7	−0.8	-	23.9
Total	126.5	19.2	−2.5	3.5	146.7
Tax assets deducted	−20.6				−41.2
Total deferred tax liabilities in the balance sheet	105.9				105.5
Deferred tax assets					
Internal stock margin	1.8	0.4	-	-	2.2
Provisions	6.7	−1.5	-	-	5.2
Tax losses	12.4	12.8	-	-	25.2
Pensions	3.0	2.0	-	-	5.0
Other	4.4	4.4	-	-	8.8
Total	28.3	18.1	-	-	46.4
Deferred tax liabilities deducted	−20.6				−41.2
Deferred tax assets in the balance sheet	7.7				5.2

* The increase in deferred taxes relating to the fair value measurement of acquired subsidiaries was recognized under goodwill.

(EUR million)

22. PROVISIONS

	Restructuring provisions	Environmental and damage provisions	Other provisions	**2008 Total**
Non-current provisions				
Balance at beginning of year	2.0	12.7	4.1	**18.8**
Exchange rate differencies	-	–0.2	-	**–0.2**
Increase in provisions	7.5	7.9	34.0	**49.4**
Provisions used during the period	-	–0.1	–2.5	**–2.6**
Provisions released during the period	–1.8	–1.2	–0.2	**–3.2**
Reclassification	0.4	–0.3	–0.5	**–0.4**
Balance at end of year	8.1	18.8	34.9	**61.8**
Current provisions				
Balance at beginning of year	1.7	0.9	3.6	**6.2**
Exchange rate differencies	–0.2	–0.1	–0.1	**–0.4**
Increase in provisions	10.4	0.3	2.3	**13.0**
Provisions used during the period	–4.4	–0.6	–1.2	**–6.2**
Provisions released during the period	–0.1	–0.1	–2.0	**–2.2**
Reclassification	0.2	0.2	-	**0.4**
Balance at end of year	7.6	0.6	2.6	**10.8**

23. CURRENT LIABILITIES

	2008	2007
Interest-bearing current liabilities		
Loans from financial institutions	**417.3**	186.9
Loans from pension institutions	**0.7**	15.7
Current portion of other non-current loans	**13.7**	14.5
Finance lease liabilities	**4.6**	4.3
Other interest-bearing current liabilities	**123.0**	403.6
Total interest-bearing current liabilities	**559.3**	625.0
Interest-free current liabilities		
Prepayments received	**0.7**	9.8
Trade payables	**240.1**	229.2
Current provisions	**10.8**	6.2
Current tax liabilities	**5.5**	9.7
Accrued expenses	**202.5**	183.1
Other interest-free current liabilities	**36.4**	41.8
Total interest-free current liabilities	**496.0**	479.8
Total current liabilities	**1,055.3**	1,104.8
Accrued expenses		
Personnel expenses	**47.1**	68.8
Items related to revenues and purchases	**67.5**	36.0
Interest	**25.3**	22.6
Exchange rate differences	**17.7**	8.4
Other	**44.9**	47.3
Total	**202.5**	183.1

(EUR million)

24. FINANCE LEASE LIABILITIES – MATURITY

	2008	2007
Finance lease liabilities – minimum lease payments		
Within one year	**0.8**	0.6
After one year but no more than five years	**2.2**	1.9
Over five years	**1.6**	1.8
Total	**4.6**	4.3
Finance lease liabilities – present value of minimum lease payments		
Within one year	**0.6**	0.4
After one year but no more than five years	**2.0**	1.7
Over five years	**1.6**	1.8
Total	**4.2**	3.9
Future finance charges	**0.4**	0.4
Total finance lease liabilities	**4.6**	4.3

25. NET LIABILITIES

	2008	2007
Interest-bearing non-current liabilities	**609.2**	431.1
Interest-bearing current liabilities	**559.3**	625.0
Money market investment – cash equivalents	**–87.1**	–21.5
Cash and cash equivalents	**–32.3**	–31.2
Total	**1,049.1**	1,003.4

26. DEFINED BENEFIT PENSION PLANS

The Group has various pension plans in accordance with the local conditions and practises of the countries in which it operates. Under defined benefit plans, pension benefits are determined by salary, retirement age, disability, mortality or termination of employment.

The funded portion of the Finnish system under the Employees' Pensions Act (TyEL) and the disability portion are treated as a defined benefit plan in respect to the pension plans managed by the Group's own pension funds, and the assets of Kemira's own pension funds are measured according to IAS 19 (Employee Benefits). TyEL plans managed by insurance companies are treated as a defined contribution plan. The "corridor" method is used to account for any actuarial gains and losses.

The table below shows the effect of the defined benefit pension plan on the Group's income statement and balance sheet, as required by IAS 19. Pension liabilities, plan assets and actuarial gains and losses of the businesses acquired and divested have changed obligations and assets.

	2008	2007
Balance sheet		
Liability for defined benefit plans	**66.9**	73.6
Receivable for defined benefit plans	**–54.0**	–34.6
Net liability for defined benefit plans	**12.9**	39.0
Liability for defined benefit plans	**66.9**	73.6
Liability for defined contribution plans	**0.6**	0.6
Total pension obligation	**67.5**	74.2
Income statement		
Defined benefit pension plans	**–1.1**	7.5

(EUR million)

	2008	2007
Amounts recognized in the balance sheet		
Present value of funded obligations	**346.0**	504.6
Present value of unfunded obligations	**66.2**	68.8
Fair value of plan assets	**–427.8**	–622.9
Present value of pension obligations	**–15.6**	–49.5
Unrecognized past service costs	**–0.8**	–0.2
Unrecognized actuarial gains (+) and losses (–)	**29.3**	88.7
Net liability	**12.9**	39.0
Movements in the present value of defined benefit obligation		
Liability at beginning of year	**573.4**	536.8
Current service costs	**11.4**	12.0
Interest costs	**22.4**	25.8
Actuarial gains (–) and losses (+)	**–49.6**	4.7
Exchange rate differences on foreign plan	**–9.2**	–1.4
The effect of companies acquired and divested during the period	**–112.7**	21.2
Benefits paid	**–23.5**	–27.3
Curtailments	**-**	-
Settlements	**–0.9**	1.9
Past service costs	**0.8**	–0.3
Liability at end of year	**412.1**	573.4
Movements in the fair value of plan assets		
Plan assets at beginning of year	**622.9**	552.3
Expected return on plan assets	**27.6**	28.1
Employer contributions	**17.4**	13.9
Actuarial gains (+) and losses (–)	**–93.6**	39.5
Exchange differences on foreign plan	**–2.7**	0.5
Effect of companies acquired and divested during the period	**–120.5**	15.9
Benefits paid	**–23.5**	–27.3
Settlements	**0.2**	-
Plan assets at end of year	**427.8**	622.9
Amounts recognized in the income statement		
Current service cost	**11.4**	12.0
Interest cost	**22.4**	25.8
Expected return on plan assets	**–27.5**	–28.1
Past service costs	**0.8**	–0.3
Net actuarial gains (–) / losses for financial year (+)	**–7.8**	–2.9
Curtailments	**–0.4**	1.0
Income statement income (–) / expense (+)	**–1.1**	7.5

The above amount, EUR –1.1 million (EUR 7.5 million), is included in employee benefits in the income statement.

	2008	2007
Actual return on plan assets		
Actual income (+) / expense (–) on plan assets	**–66.2**	67.4

(EUR million)

	2008	2007
Principal actuarial assumptions		
Discount rate	**3.8–6.2%**	4.0–5.7%
Expected return on plan assets	**4.5–5.8%**	2.8–7.5%
Inflation	**2.0–4.5%**	2.0–3.4%
Future salary increases	**2.0–4.5%**	2.0–3.4%
Future pension increases	**1.3–4.0%**	1.3–3.4%
Plan assets consist of:		
Equity instruments	**195.1**	336.5
Bonds and other non-current interest-bearing investments	**106.6**	163.7
Current interest-bearing investments	**66.6**	62.1
Assets in insurance companies *	**8.6**	29.8
Kemira Oyj treasury shares	**0.5**	2.6
Real estate in Group use	**14.0**	14.0
Other	**36.4**	14.2
Total	**427.8**	622.9

* Funds managed by 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%. This rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Expected contributions to post-employment benefit plans for 2009 total EUR 5.0 million.

Dec. 31	**2008**	2007	2006	2005
Present value of defined benefit obligation	**412.2**	573.4	536.8	526.9
Fair value of plan assets	**427.8**	622.9	552.3	543.3
Present value of pension obligations	**–15.6**	–49.5	–15.5	–16.4
Experience adjustments on plan liabilities	**–3.4**	–3.4	4.0	–9.1
Experience adjustments on plan assets	**88.2**	45.9	19.5	1.6

(EUR million)

27. SUPPLEMENTARY CASH FLOW INFORMATION

	2008	2007
Acquisition and disposal of subsidiaries		
Acquisition of subsidiaries		
Acquisition cost	48.5	68.3
Cash and cash equivalents at acquisition date	–4.2	–2.2
Cash flow on acquisition net of cash acquired	44.3	66.1
Acquired assets and liabilities		
Net working capital	4.7	10.0
Property, plant and equipment	10.0	25.0
Interest-bearing receivables, cash and cash equivalents deducted	-	-
Other interest-bearing receivables	1.6	0.3
Interest-bearing liabilities	–0.1	–0.8
Interest-free liabilities	–5.8	11.5
Minority interest	-	-
Goodwill on acquisition	33.9	20.1
Total assets and liabilities of acquired subsidiaries	44.3	66.1
Proceeds from the disposals of subsidiaries		
Proceeds from the disposals	234.1	19.8
Cash and cash equivalent in disposed companies	–1.6	–1.1
Total cash flow on disposals of subsidiaries	232.5	18.7
Assets and liabilities disposed		
Net working capital	61.2	0.4
Property, plant and equipment	176.5	4.2
Shares	-	1.0
Interest-bearing receivables, minus cash	10.5	-
Other interest-free receivables	2.0	2.3
Interest-bearing liabilities	–26.2	–1.0
Interest-free liabilities	–26.0	-
Gain / loss on disposal	34.5	11.8
Total assets and liabilities of disposed subsidiaries	232.5	18.7

28. BUSINESS COMBINATIONS

2008: Nheel Quimica Ltda

Kemira acquired the entire share capital of the Brazilian Nheel Quimica Ltda in a transaction confirmed on November 15, 2008. Nheel Quimica Ltda is Brazil's second largest manufacturer of iron salts and the largest manufacturer of aluminum salts used in water treatment. Nheel Quimica Ltda has a production facility in Rio Claro, in the state of Sao Paolo. The company primarily serves companies in the municipal water treatment and waste water treatment sectors. As a result of increasingly stringent environmental legislation, the use of coagulants is growing rapidly in the largest Brazilian cities.

The purchase price was EUR 39.4 million, which was paid in cash and financed with the Group's existing financing agreements. The estimated capitalized acquisition costs directly attributable to combination were EUR 0.3 million.

The revenue of the acquired business in the period from date of purchase to December 31, 2008 was EUR 6.5 million and operating profit EUR 1.1 million.

A total of EUR 0.1 million of the EUR 39.4 million acquisition cost was allocated to inventories of finished goods. The acquisition therefore generated EUR 29.9 million of goodwill. Goodwill is based on future earnings expectations and significant synergy benefits..

	Fair values recorded on business combination	Carrying amounts prior to business combination
Property, plant and equipment	**5.5**	5.5
Other investments	**0.7**	0.7
Inventories	**1.5**	1.4
Trade receivables and other receivables	**5.3**	5.3
Cash and cash equivalents	**3.3**	3.3
Total	**16.3**	16.2
Deferred tax liabilities	**-**	-
Other liabilities	**6.8**	6.8
Total liabilities	**6.8**	6.8
Net assets	**9.5**	9.4
Cost of business combination (net)	**39.4**	
Goodwill	**29.9**	
Acquisition cost	**39.4**	
Cash and cash equivalents in subsidiary acquired	**–3.3**	
Cash outflow on acquisition total	**36.1**	

(EUR million)

2008: Aggregate of Business Acquisitions

Kemira made the following acquisitions in 2008: Finncolor Slovakia s.r.o. (100%) and Färgglädje Målerbutiken i Alvik AB (100%)

These business combinations are individually immaterial.

	Fair values recorded on business combination	Carrying amounts prior to business combination
Other intangible assets	**4.0**	0.0
Property, plant and equipment	**0.4**	0.4
Other investments	**0.1**	0.1
Inventories	**1.3**	1.3
Trade receivables and other receivables	**0.6**	0.6
Cash and cash equivalents	**0.9**	0.9
Total assets	**7.3**	3.3
Deferred tax liabilities	**1.0**	-
Other liabilities	**0.9**	0.9
Total liabilities	**1.9**	0.9
Net assets	**5.4**	2.4
Cost of business combination (net)	**6.5**	
Goodwill	**1.0**	
Acquisition cost	**6.5**	
Unpaid acquisition cost	**–1.1**	
Cash and cash equivalents in subsidiaries acquired	**–0.9**	
Cash outflow on acquisition	**4.5**	

Effect of Business Combinations on Revenue and Profit

Kemira's revenue for Jan. 1–Dec. 31, 2008 would have been EUR 2,871 million and operating profit EUR 80 million if all of the business combinations carried out during the period had been completed on January 1, 2008.

(EUR million)

2007: The Dalquim Coagulant Business

On April 20, 2007, Kemira acquired 100% of the shares of two companies (Empresa Lajeana Ltda. & Arapoti Saneamento Ltda.) conducting the coagulant business of Dalquim Industria e Comercio Ltda. Dalquim is one of the leading manufacturers of aluminum based coagulants in the South of Brazil. The revenue of the coagulant business is approximately EUR 12 million.

The target companies are located in the south of Brazil and have two production units. Their main customer base is the paper industry and municipalities for potable and wastewater treatment. The company will be targeting the fast expanding paper industry and potable and waste water treatment sector in the Southern states of Brazil.

The acquisition fits extremely well in Kemira's strategy to enhance its position and mutual synergies as a world leader in chemicals supply for both pulp&paper and water treatment customers on fast growing emerging markets.

Kemira Water is already present with production in the Bahia region (North East of Brazil) and in the Sao Paulo state. With this acquisition, Kemira will significantly broaden its current product portfolio in Brazil and gain strong geographical presence in the southern Brazilian market.

The total price of the acquisition is approx. EUR 10.8 million. Capitalized acquisition costs directly attributable to the combination have not yet been finalized. The acquisition was financed with Kemira Group's own existing financing agreements.

Of the total purchase price of EUR 10.8 million, EUR 1.2 million was allocated to intangible assets originating from the existing customer portfolio. The acquisition then results in EUR 9.0 million in goodwill, based on the acquired business's expected future earnings and attainable synergies.

	Fair values recorded on business combination	Carrying amounts prior to business combination
Intangible assets	**1.2**	-
Property, plant and equipment	**0.8**	0.8
Inventories	**0.2**	0.2
Trade receivables and other receivables	**1.4**	1.4
Cash and cash equivalents	**0.1**	0.1
Total assets	**3.7**	2.5
Deferred tax liabilities	**0.4**	-
Other liabilities	**1.5**	1.5
Total liabilities	**1.9**	1.5
Net assets	**1.8**	1.0
Cost of business combination (net)	**10.8**	
Goodwill	**9.0**	
Acquisition cost	**10.8**	
Cash and cash equivalents in subsidiaries acquired	**–0.1**	
Cash outflow on acquisition	**10.7**	

The revenue of the acquired units for April 21–December 31, 2007 totaled EUR 7.5 million and the operating profit EUR 1.7 million.

(EUR million)

2007: Aggregate of Other Business Acquisitions

Kemira made the following acquisitions in 2007: TRI-K Industries Inc. (100%), Sustainable Nutrition B.V. (100%), Dickursby Holding AB (70%), OOO Gamma Industrial Coatings (70%), OOO Tikkurila Powder Coatings (70%), Chongqing Lanjie Tap Water Materials Co. (80%) and the Arkema coagulant business.

These business combinations are individually immaterial.

	Fair values recorded on business combination	Carrying amounts prior to business combination
Trademarks and trade names	**3.9**	-
Other intangible assets	**5.4**	4.7
Property, plant and equipment	**5.6**	4.5
Inventories	**4.7**	4.7
Trade receivables and other receivables	**3.1**	2.9
Cash and cash equivalents	**0.2**	0.2
Total assets	**22.9**	17.0
Deferred tax liabilities	**1.4**	-
Non-current liabilities	**0.3**	0.3
Other liabilities	**4.8**	4.8
Total liabilities	**6.5**	5.1
Net assets	**16.4**	11.9
Cost of business combination (net)	**24.0**	
Goodwill	**7.6**	
Acquisition cost	**24.0**	
Cash and cash equivalents in subsidiaries acquired	**–0.2**	
Cash outflow on acquisition	**23.8**	

Effect of Business Combinations on Revenue and Profit

Kemira's revenue for Jan. 1–Dec. 31, 2007 would have been EUR 3,159 million and operating profit EUR 159 million if all of the business combinations carried out during the period had been completed on January 1, 2007.

(EUR million)

29. COLLATERAL AND CONTINGENT LIABILITIES

	2008	2007
Loans secured by mortgages in the balance sheet and for which mortgages are given as collateral		
Loans from financial institutions	**0.4**	0.4
Mortgages given	**0.9**	1.0
Loans from pension institutions	**37.1**	55.8
Mortgages given	**41.5**	59.8
Other loans	**0.7**	1.1
Mortgages given	**0.9**	1.3
Total mortgage loans	**38.2**	57.3
Total mortgages given	**43.3**	62.1
Contingent liabilities		
Assets pledged		
On behalf of own commitments	**5.2**	6.0
Guarantees		
On behalf of own commitments	**14.1**	8.3
On behalf of associates	**1.2**	1.4
On behalf of others	**5.5**	2.8
Operating leasing liabilities		
Maturity within one year	**20.9**	22.4
Maturity after one year but within five years	**47.6**	53.4
Maturity after five years	**67.4**	75.6
Other obligations		
On behalf of own commitments	**2.6**	0.4
On behalf of associates	**1.9**	2.3

There were no collaterals or contingent liabilities related to managing directors or members of the Board of Directors during 2008 and 2007.

Major Off-balance Sheet Investment Commitments

There were no significant contractual commitments for the acquisition of property, plant and equipment on December 31, 2008.

Litigation

The Group has extensive international operations and is involved in a number of legal proceedings incidental to these operations. The Group does not expect the outcome of any legal proceedings currently pending to have materially adverse effect upon its consolidated results or financial position.

(EUR million)

30. DERIVATIVE INSTRUMENTS

Nominal values	2008 < 1 year	2008 > 1 year	2008 Total	2007 < 1 year	2007 > 1 year	2007 Total
Currency instruments						
Forward contracts	427.6		427.6	942.9	-	942.9
of which hedges of net investment in a foreign operation				-	-	-
Currency options	-	-	-	123.3	-	123.3
Bought	-	-	-	65.5	-	65.5
Sold	-	-	-	57.8	-	57.8
Currency swaps	-	27.6	27.6	113.9	33.3	147.2
Interest rate instruments						
Interest rate swaps	21.6	317.2	338.8	75.0	99.0	174.0
of which cash flow hedge	14.4	290.0	304.4	75.0	89.0	164.0
Interest rate options	-	110.0	110.0	-	10.0	10.0
Bought	-	110.0	110.0	-	10.0	10.0
Sold	-	-	-	-	-	-
Bond futures	-	10.0	10.0	-	10.0	10.0
of which open	-	10.0	10.0	-	10.0	10.0
Other instruments						
Electricity forward contracts, bought (GWh)	811.7	619.8	1,431.5	527.0	306.6	833.6
of which cash flow hedge (GWh)	759.1	619.8	1,378.9	527.0	306.6	833.6
Electricity forward contracts, sold (GWh)	52.6	-	52.6	-	-	-
of which cash flow hedge (GWh)	-	-	-	-	-	-
Propane swap contracts (k tons)	1.0	14.6	15.6	-	-	-
of which cash flow hedge (k tons)	1.0	14.6	15.6	-	-	-
Salt derivatives (k tons)	160.0	52.8	212.8	-	-	-

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

Fair values	2008 Assets gross	2008 Liabilities gross	2008 Total net	2007 Assets gross	2007 Liabilities gross	2007 Total net
Currency instruments						
Forward contracts *	20.8	−9.1	11.7	4.8	−6.2	−1.4
of which hedges of net investment in a foreign operation	-	-	-	-	-	-
Currency options *	-	-	-	0.4	−0.1	0.3
Bought	-	-	-	0.2	−0.1	0.1
Sold	-	-	-	0.2	-	0.2
Currency swaps	-	−5.6	−5.6	7.8	−1.3	6.5

* Includes also closed foreign exchange positions. The open position is shown in the hedging section of the currency risk table, Note 32.

(EUR million)

Fair values	2008 Assets gross	2008 Liabilities gross	2008 Total net	2007 Assets gross	2007 Liabilities gross	2007 Total net
Interest rate instruments						
Interest rate swaps	**0.3**	**−7.2**	**−6.9**	2.4	−0.1	2.3
of which cash flow hedge	**0.2**	**−6.7**	**−6.5**	2.1	−0.1	2.0
Interest rate options	-	**−0.1**	**−0.1**	-	-	-
Bought	-	**−0.1**	**−0.1**	-	-	-
Sold	-	-	-	-	-	-
Bond futures	-	-	-	0.2	-	0.2
of which open	-	-	-	0.2	-	0.2
Other instruments						
Electricity forward contracts, bought (GWh)	-	**−10.7**	**−10.7**	10.0	-	10.0
of which cash flow hedge (GWh)	-	**−9.7**	**−9.7**	10.0	-	10.0
Electricity forward contracts, sold (GWh)	**1.2**	-	**1.2**	-	-	-
of which cash flow hedge (GWh)	-	-	-	-	-	-
Propane swap contracts (k tons)	-	**−2.0**	**−2.0**	-	-	-
of which cash flow hedge (k tons)	-	**−2.0**	**−2.0**	-	-	-
Salt derivatives (k tons)	**2.0**	-	**2.0**	-	-	-

Fair values	2008 Assets gross < 1 year	2008 Assets gross > 1 year	2008 Liabilities gross < 1 year	2008 Liabilities gross > 1 year	2007 Assets gross < 1 year	2007 Assets gross > 1 year	2007 Liabilities gross < 1 year	2007 Liabilities gross > 1 year
Currency instruments								
Forward contracts *	**20.8**	-	**−9.1**	-	4.8	-	−6.2	-
of which hedges of net investment in a foreign operation	-	-	-	-	-	-	-	-
Currency options *	-	-	-	-	0.4	-	−0.1	-
Bought	-	-	-	-	0.2	-	−0.1	-
Sold	-	-	-	-	0.2	-	-	-
Currency swaps	-	-	-	**−5.6**	7.8	-	-	−1.3
Interest rate instruments								
Interest rate swaps	-	**0.3**	**−0.2**	**−7.0**	0.1	2.3	−0.1	-
of which cash flow hedge	-	**0.2**	**−0.1**	**6.6**	-	2.1	−0.1	-
Interest rate options	-	-	-	**−0.1**	-	-	-	-
Bought	-	-	-	**−0.1**	-	-	-	-
Sold	-	-	-	-	-	-	-	-
Bond futures	-	**0.2**	-	-	-	0.2	-	-
of which open	-	**0.2**	-	-	-	0.2	-	-
Other instruments								
Electricity forward contracts, bought (GWh)	-	-	**−7.3**	**−3.4**	8.3	1.7	-	-
of which cash flow hedge (GWh)	-	-	**−6.3**	**−3.4**	8.3	1.7	-	-
Electricity forward contracts, sold (GWh)	**1.2**	-	-	-	-	-	-	-
of which cash flow hedge (GWh)	-	-	-	-	-	-	-	-
Propane swap contracts (k tons)	-	-	**−0.2**	**−1.8**	-	-	-	-
of which cash flow hedge (k tons)	-	-	**−0.2**	**−1.8**	-	-	-	-
Salt derivatives (k tons)	**1.5**	**0.5**	-	-	-	-	-	-

* Includes also closed foreign exchange positions. The open position is shown in the hedging section of the currency risk table, Note 32.

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 financial statements in accordance with IFRS and observes established internal principles and procedures.

In the context of all of its major mergers and acquisitions in 2008, Kemira carried out due diligence analyses related to the pollution of soil and groundwater caused by the sites' previous operations.

Corporate acquisitions and divestments did not alter the Group's overall environmental liabilities significantly, the only exception being the joint venture with Rockwood Inc. in the pigments business. The parties agreed that the closed landfill sites located in each party's plant area shall not be included in the joint venture and instead will remain on each contracting party's responsibility. Kemira Oyj assumed responsibility for two dumping areas in Pori, Finland. The closure of these areas commenced in accordance with the environmental permits in 2008, and a provision for the closure plan was recorded.

Provisions for environmental remediation totaled EUR 19.4 million (EUR 13.6 million). In addition to Pori, the largest provisions had to do with the reconditioning of the sediment of a lake adjacent to the Vaasa plant.

Emissions Allowances

The Group holds assigned emissions allowances under the EU Emissions Trading System at one site in Sweden. In net volumes, these allowances at Group level showed a surplus of 2,230 (4,769) carbon dioxide tons in 2008.

32. MANAGEMENT OF FINANCIAL RISKS

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

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

Foreign Exchange Risk

Foreign currency cash flow risk arises from net currency flows denominated in currencies other than the domestic currency within and outside the eurozone. The most significant currency flow risk arises from the Swedish krona. With the existing group structure, following the establishment of the joint venture in the titanium dioxide business on September 1, 2008, the currency risk with respect to the US dollar was significantly reduced.

Kemira mainly uses forwards and currency options in hedging against foreign exchange risks, which had less than a one year maturity at the end of 2008. At Group level, the subsidiaries' hedging entries are eliminated. The table below shows an estimate of the largest Group-level foreign currency cash flow risks.

At the turn of 2008/2009, the foreign currency operative cash flow forecast for 2009 was EUR 121.8 million, 41% of which was hedged (the hedge ratio in 2007 was 63%). The hedge ratio is monitored daily. In hedging the total cash flow risk, a neutral level is achieved when 50% of the forecast 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 4.6 million (2007: 6.3 million). Foreign exchange risk is also derived from the translation of income statement and balance sheet items into euros.

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 +/–5.0% in foreign exchange rates causes a change of more than 1.5 percentage points in the equity ratio.

Transaction and translation exposure

	2008			2007		
(EUR million)	**SEK**	**USD**	**Others**	SEK	USD	Others
Operative cash flow forecast*	**–31.0**	**9.5**	**71.6**	–14.1	47.1	52.8
Net Lending in currency**	**–55.5**	**128.3**	**73.6**	1.6	53.5	31.6
Derivatives, transaction hedging	**26.4**	**–2.9**	**–20.3**	14.1	–37.1	–20.3
Derivatives, translation hedging	**55.5**	**–127.6**	**–55.4**	–1.6	–53.5	–31.5
Total	**–4.6**	**7.3**	**69.5**	–0.0	10.0	32.5
Loans, hedging of a net investment in a foreign entity	**–70.9**	**–29.5**	**–10.5**	–81.6	–27.9	–13.6

* Based on 12 months operative cash flow forecast
** Does not include hedging of a net investment in a foreign entity

The largest equity amounts of Group companies are denominated in the Swedish krona, the US dollar, the Polish zloty and the Brasilian real. The objective is to hedge the balance sheet risk by maintaining a balance between foreign currency denominated liabilities and assets, currency by currency. Kemira hedges foreign currency equity items with long-term loans.

On the balance sheet date, part of the equity denominated in the Swedish krona, the US dollar and the British pound was hedged with long term loans. At the end of 2008, the nominal amount of hedges of net investments in foreign operations totaled EUR 110.8 million (2007: EUR 123.1 million). All in all, these transactions correspond to an 11% hedge ratio (2007: 18%). At the end of 2008 all net investments in foreign entities were hedged with long-term loans, which was also the case at the end of 2007. A 10% fall in foreign exchange rates against the euro, based on the exchange rates quoted on the balance sheet date, would have a positive impact on the valuation of equity hedging instruments of about EUR 10.1 million in equity before taxes.

Interest Rate Risk

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

The duration of the Group's interest-bearing loan portfolio was 17 months at the end of 2008 (2007: 13 months). Excluding interest rate derivatives, the duration is 9 months (2007: 8 months). At the end of 2008, 47% of the Group's entire net debt portfolio, including derivatives and pension loans, consisted of fixed-interest borrowings (2007: 23%). Pension loans are classified as fixed rate loans. The net financing cost of the Group's loan portfolio stands at around 5.65% (2007: 5.2%). 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, the US dollar and the Swedish krona.

Fixed-interest financial assets and liabilities are exposed to price risks arising from changes in interest rates. Floating rate financial assets and liabilities, whose interest rate changes alongside market interest rates are exposed to cash flow risks due to interest rates. Investments in equity instruments do not have interest rate exposure.

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

Time to interest rate fixing Dec. 31, 2008

(EUR million)	<1 year	1–5 years	>5 years	Total
Floating net liabilities	552			552
Fixed net liabilities	73	320	104	497
Total	625	320	104	1,049

Time to interest rate fixing Dec. 31, 2007

(EUR million)	<1 year	1–5 years	>5 years	Total
Floating net liabilities	823			823
Fixed net liabilities	17	111	52	180
Total	840	111	52	1,003

The proportion of fixed-interest loans in the loan portfolio has been increased by means of interest rate derivatives. As a consequence of this treasury policy, the Group's average interest rate is generally higher than short-term market interest rates when low rates prevail and, on the other hand, lower than market interest rates when high rates prevail. If interest rates rose by one percentage point on January 1, 2009, the resulting interest expenses before taxes incurred by the Group over the next 12 months would increase by about EUR 5.0 million (2007: 5.8 million). During 2009, Kemira will re-price 59% (2007: 84%) of the Group's net debt portfolio, including derivatives. The Group's average interest rate maturity is 16 months (2007: 13 months). Kemira will price floating rate instruments when the next interest rate review is conducted, and the interest rate maturity for fixed-interest instruments is the same as their remaining maturity.

On the balance sheet date, the Group had outstanding interest rate derivatives with a market value of EUR –6.9 million (2007: 2.4 million). Some of the interest rate swaps are used to hedge the Group's loan portfolio, and are accounted for in accordance with the principles of hedge accounting set out in IAS 39. The market value of the interest rate swaps designated as cash flow hedge accounting instruments was –6.5 million at the end of 2008 (2007: 2.0 million). The Group's accounting policies section describes the Group policy regarding hedge accounting. A one percentage point increase in interest rates would result in a positive impact of EUR 2.0 million (2007: 0.9 million) in equity before taxes from hedge accounting interest rate swaps.

Price Risk

The price of electricity varies greatly according to the market situation. Kemira Group takes hedging measures with respect to its electricity purchases in order to even out raw material costs. In line with its hedging policy, the Group hedges its existing sales agreements in such a way that the hedges cover the commitments made, primarily using electricity forwards on the power exchange as hedging instruments. Currency and regional price risks connected with hedges are fully hedged by making agreements in HELEUR amounts. The majority of outstanding Electricity derivatives are treated in accordance with cash flow hedge accounting, as discussed above. The forecast physical deliveries of the underlying asset, or purchases, are not recorded until the delivery period. A 10% increase in the price of electricity hedging contracts would impact the valuation of these contracts in equity before taxes by EUR 4.4 million (2007: 4.4 million).

Kemira has an exposure to the price of natural gas in conjunction with raw material purchases. Pricing of Natural Gas is based on FuelOil and GasOil. As of 2008 a portion of this risk is hedged with commodity swap contracts with total hedge volumes of 6,960 metric tons FuelOil and 8,640 metric tons of GasOil over the years 2009–2013, the valuation of which is subject to cash flow hedge accounting. A simultaneous 10% change in FuelOil and GasOil price would result in a EUR 0.4 million change in the market value of the swaps in equity before taxes assuming EURUSD levels of December 31, 2008.

Kemira Oyj owns shares in Teollisuuden Voima Oy (TVO). The fair value of TVO shares is based on the discounted cash flow resulting from the difference between the market price and the production cost of electricity. A decrease in the electricity market spot price of 10% would lower fair value of shares by approximately 19.2%.

In conjunction with Kemiras purchase of HGS and UVS grade undried vacuum salt, Kemira has an embedded derivative in the purchase agreement from 2008. The variable pricing component is dependent on the development of LFSO (Low Sulphur Fuel Oil) index in euros, thus there is an exposure both to the oil price and the EUR/USD exchange rate. A 10% increase in the euro value of the LFSO index would impact the valuation of the embedded derivative in the result before taxes by approximately EUR –0.2 million.

Credit and Counterparty Risk

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

Group Treasury approves the new banking relationships of subsidiaries. At present, there are 15 approved financial institution counterparties, all of which have a credit rating of at least A, based on Standard & Poor's credit rating information. A counterparty with a credit rating below A or an unrated counterparty requires the separate approval of the Board of Directors. The maximum risk assignable to the Group's financial institution counterparties on the balance sheet date amounted to EUR 94.4 million on the balance sheet date (2007: 20.3 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 did not result in credit losses during the financial year.

The counterparty risk in treasury operations is due to the fact that a contractual party to a financing transaction is not necessarily able to fulfill its contractual obligations. Risks are mainly related to investment activities and the counterparty risks associated with derivative contracts. Group Treasury may invest a maximum of EUR 150 million in liquid assets in the commercial papers of Finnish companies. The maximum investment in a single company totals EUR 30 million for a period of up to six months. The Group's credit risk equals the amount of its financial receivables on December 31, 2008.

Kemira has a Group wide credit policy in place. Products are sold only to companies whose credit information does not indicate payment irregularities. The Group does not have any significant credit risk concentrations because of its extensive customer base spread across the world. Credit limits apply to most customers and are monitored systematically. In some cases, documentary payments are in use, such as letters of credit. The age distribution of trade receivables outstanding at the end of 2008 is shown in the table below.

Ageing of trade receivables

(EUR million)	**2008**	2007
Undue trade receivables	**299.1**	308.7
Trade receivables 1–90 days overdue	**77.7**	82.4
Trade receivables more than 91 days overdue	**19.7**	22.0
Total	**396.5**	413.1

Impairment loss of trade receivables amounted to EUR 6.4 million (EUR 2.2 million in 2007).

Liquidity and Refinancing Risks

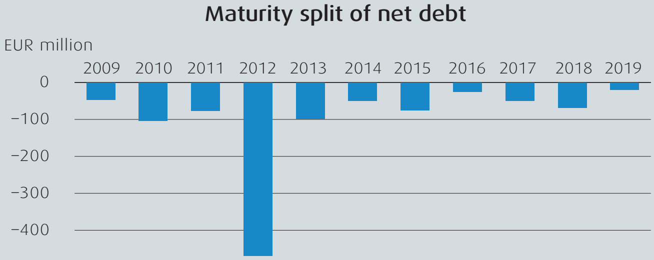
In order to safeguard its liquidity, the Group uses account overdrafts, money market investments and a revolving credit facility. The Group's cash and cash equivalents at the end of 2008 stood at EUR 119.3 million (2007: 52.6 million), of which short-term and long-term investments accounted for EUR 87 million (2007: 21.4 million) and bank deposits EUR 32.3 million (2007: 31.2 million). The unused revolving credit facility was EUR 354.5 million (2007: 583.3 million).

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

In accordance with the Group Treasury policy, the average maturity of outstanding loans should always be at least 3 years. The Group must have committed credit facilities to cover planned funding needs, the current portion of long term debt, commercial paper borrowings and other uncommitted short-term loans. 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 2008 was 4.4 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 2008 the amount raised from commercial paper markets was EUR 116.2 million. Simultaneously the group had EUR 87.1 million of outstanding liquid short- and long-term investments. In addition, it has concluded a five-year revolving credit agreement for a nominal amount of EUR 750 million. At the turn of the year 2008/2009, EUR 395.5 million of this revolving credit facility was in use (2007: 166.7 million). The revolving credit facility allows for borrowing at terms specified in the original agreement

Maturity split of net debt



from 2005, with a maximum outstanding debt amount of EUR 750 million up until maturity of the agreement in 2012. Thus, the revolving credit facility is a flexible form of both short-term and long term financing with a predictable fee-structure.

In its current structure, the Group will not have any significant refinancing needs in the coming next two years as the current loan arrangements cover its financing needs.

Capital Structure Management

The Group's long-term objective is to maintain the gearing ratio in the range of 40 to 80 percent. To calculate the gearing ratio, interest-bearing net liabilities (interest-bearing liabilities less cash and cash equivalents) are divided by shareholders' equity.

Besides gearing, the revolving credit facility and 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 percent of the consolidated total assets (equity ratio).

The Board of Directors will propose a per-share dividend of EUR 0.25 for 2008 (2007: 0.50), corresponding to a dividend payout ratio of –1,634% (2007: 95%). The long-term objective is to distribute 40 to 60 percent of the net operating income in dividends to the shareholders.

EUR million	**2008**	2007
Interest-bearing liabilities	**1,168.5**	1,056.1
Cash and cash equivalents	**119.4**	52.6
Interest-bearing net liabilities	**1,049.1**	1,003.4
Equity	**976.0**	1,087.3
Total assets	**2,859.7**	2,827.9
Gearing	**107%**	92%
Equity ratio	**34%**	39%

Cash and cash equivalents

	2008		2007	
	Book value	**Fair value**	Book value	Fair value
Cash and cash equivalents	**32.3**	**32.3**	31.2	31.2
Money market investments	**85.1**	**85.1**	15.0	15.0
Investments in government bonds	**2.0**	**2.2**	6.4	6.6
Total	**119.4**	**119.6**	52.6	52.8

The fair value of money market investments and investments in government bonds has been discounted from book value using effective interest rate.

Non-current interest-bearing loans and the amortizations of non-current interest-bearing loans

	Dec. 31, 2008		Maturity					
Currency	**Fair value**	**Book value**	2009	2010	2011	2012	2013	2014-
EUR	**673.6**	**663.6**	405.9	28.3	6.3	21.8	5.9	195.4
SEK	**72.5**	**70.9**	-	36.8	34.0	0.1	-	-
USD	**278.1**	**273.5**	9.2	9.7	9.2	9.2	58.0	178.2
Other	**32.6**	**32.3**	16.0	6.8	9.5	-	-	-
Total	**1,056.8**	**1,040.3**	431.1	81.6	59.0	31.1	63.9	373.6

	Dec. 31, 2007		Maturity					
Currency	Fair value	Book value	2008	2009	2010	2011	2012	2013-
EUR	284.1	286.1	157.4	6.8	3.1	1.6	17.2	100.0
SEK	82.7	81.8	0.2	-	42.4	39.3	-	-
USD	261.8	256.8	38.1	9.3	9.2	8.8	55.0	136.4
Other	23.9	23.5	21.5	1.3	-	-	-	0.6
Total	652.5	648.2	217.2	17.4	54.7	49.7	72.2	237.0

Figures include the amortizations planned for 2009 (2008) excluding commercial papers, finance lease liabilities and other current loans.

(EUR million)

Cash flow from all financial liabilities

	Dec. 31, 2008		Maturity					
Loan type	**Drawn**	**Undrawn**	2009	2010	2011	2012	2013	2014–
Long term interest bearing liabilities	**644.8**	-	35.6	81.6	59.0	31.1	63.9	373.6
financial expenses			1.4	3.3	2.4	1.2	2.5	14.9
Revolving credit facility	**395.5**	**354.5**	395.5	-	-	-	-	-
financial expenses			1.6	-	-	-	-	-
Finance lease liabilities	**4.6**	-	4.6	-	-	-	-	-
financial expenses			0.3	-	-	-	-	-
Commercial paper program	**112.8**	**487.2**	112.8	-	-	-	-	-
financial expenses			2.2	-	-	-	-	-
Other i-b current loans	**10.8**	-	10.8	-	-	-	-	-
financial expenses			0.6	-	-	-	-	-
Interest bearing loans	**1,168.5**	**841.7**	565.4	84.9	61.4	32.3	66.4	388.5
Trade payables	**240.1**		240.1					
Forward contracts								
expenses	**408.8**		408.8					
income	**–420.5**		–420.5					
Other derivatives*	**22.1**		5.0	9.8	4.2	1.5	1.0	0.6
Trade payables and derivatives	**250.5**	**0.0**	233.4	9.8	4.2	1.5	1.0	0.6
Total	**1,419.0**	**841.7**	798.8	94.7	65.6	33.8	67.4	389.1

	Dec. 31, 2007		Maturity					
Loan type	Drawn	Undrawn	2008	2009	2010	2011	2012	2013–
Loans from financial institutions	481.5	-	50.4	17.4	54.7	49.8	72.2	237.0
financial expenses			24.6	22.0	21.1	18.3	15.8	12.1
Revolving credit facility	166.7	583.3	166.7	-	-	-	-	-
financial expenses			8.3	-	-	-	-	-
Finance lease liabilities	4.3	-	4.3	-	-	-	-	-
financial expenses			0.5	-	-	-	-	-
Commercial paper program	385.9	214.1	385.9	-	-	-	-	-
financial expenses			18.1	-	-	-	-	-
Other i-b current loans	17.7	-	17.7	-	-	-	-	-
financial expenses			0.7	-	-	-	-	-
Interest bearing loans	1,056.1	797.4	677.2	39.4	75.8	68.1	88.0	249.1
Trade payables	229.2	-	229.2	-	-	-	-	-
Forward contracts								
expenses	444.7	-	444.7	-	-	-	-	-
income	–443.3	-	–443.3	-	-	-	-	-
Other derivatives*	–19.3	-	–16.5	–0.6	–0.5	–1.5	–0.2	-
Trade payables and derivatives	211.3	0.0	214.1	–0.6	–0.5	–1.5	–0.2	0.0
Total	1,267.4	797.4	891.3	38.8	75.3	66.6	87.8	249.1

* Interest rate swaps, currency swaps and electricity forwards

(EUR million)

33. ASSOCIATED COMPANIES

			Group holding %
BNH Nya Hembutikerna AB	Stockholm	Sweden	45.1
Ekomuovi Oy	Lahti	Finland	22.4
FC Energia Oy	Ikaalinen	Finland	34.0
FC Power Oy	Ikaalinen	Finland	34.0
Galvatek Technology Oy	Lahti	Finland	39.9
Haapaveden Puhdistamo Oy	Haapavesi	Finland	40.5
Haapaveden Ympäristöpalvelut Oy	Haapavesi	Finland	40.5
Honkalahden Teollisuuslaituri Oy	Joutseno	Finland	50.0
Kemwater Phil., Corp.	Manila	Philippines	40.0
Sachtleben GmbH	Frankfurt am Main	Germany	39.0
White Pigment LLC	Princeton NJ	United States	39.0

Summarized financial information of associates (companies' total amounts)	**2008**	2007
Assets	**883.4**	29.2
Liabilities	**516.9**	21.5
Revenue	**187.0**	22.7
Net profit for the period	**–7.4**	3.0

The following transactions took place with associated companies:	**2008**	2007
Sale of goods	**35.1**	24.6
Total sales	**35.1**	24.6
Purchase of goods	**24.4**	23.9
Total purchases	**24.4**	23.9

No services were sold to associates in 2008, nor were any services acquired from associates.
Receivables from associates in 2008 were EUR 33.8 million (EUR 3.9 million) and liabilities for associates were EUR 16.7 million (EUR 3.6 million).

34. JOINT VENTURES

The Group's joint ventures on December 31, 2008 are Tikkurila JUB Romania S.R.L. and Alcro Parti AB. OOO Sto-Tikkurila was sold in 2008 and Kemira-Ube Ltd in 2007. The Group has a 50% voting right in joint ventures. The consolidated financial statements include shares of the joint ventures' assets, liabilities, income and expenses as follows:

	2008	2007
Non-current assets	**-**	0.5
Current assets	**1.4**	1.4
Total assets	**1.4**	1.9
Non-current liabilities	**0.1**	1.1
Current liabilities	**0.9**	0.5
Total liabilities	**1.0**	1.6
Revenue	**3.5**	14.0
Costs	**–3.5**	–12.9
Depreciation	**-**	–0.5
Income taxes	**-**	–0.4
Net profit for the period	**0.0**	0.2

35. CHANGES IN GROUP STRUCTURE IN 2008

Acquisitions of Group companies, and new subsidiaries that have been founded

- Kemira established a new company, Kemira Argentina S.A, in February.
- Kemira Group's share in SC Kemwater Chimbis SRL increased from 76.05% to 78.45% when SC Kemwater Cristal SRL bought the minority share in March.
- Tikkurila established a new marketing company, IP Tikkurila, in the Republic of Belarus in May.
- Tikkurila Oy established a new marketing company (Joint venture), Tikkurila JUB Romania S.R.L., in June. Tikkurila Oy's share is 50%.
- Kemira established a 100% owned marketing company, Kemira Chemicals India Private Limited, in India in July.
- Kemira established with Rockwood Holdings Inc the JV companies Sachtleben GmbH and White Pigments LLC, both 39% owned by Kemira in August.
- Kemira acquired the Brazilian company Nheel Quimica Ltda in November.
- Tikkurila Oy acquired marketing company Finncolor Slovakia s.r.o. in Slovakia in December. The company was renamed Tikkurila Slovakia s.r.o.
- Alcro-Beckers AB acquired the marketing company Färgglädje Måleributiken i Alvik AB in December.

Divestments of Group companies

- Tikkurila Paints Oy and Tikkurila Coatings Oy were merged to Tikkurila Oy In January.
- Tikkurila sold its 50% share in OOO Sto-Tikkurila in April.
- Kemwater Närke AB was sold in April.
- Droiban Energia A.I.E. was liquidated in April.
- Huron Federal LLC was dissolved in June.
- Tikkurila Ltd (dormant company) was liquidated in August.
- Kemira transferred the ownership of Kemira Pigments Oy, Kemira Specialty Inc and Maybrook Inc to the newly established JV companies Sachtleben GmbH and White Pigments LLC in August.
- SC Kemwater Chimbis SRL was merged to SC Kemwater Cristal SRL in December.
- Verdugt Spain S.A. was liquidated in December.
- OOO Kraski Teks and OOO Kraski Tikkurila were merged to OOO Tikkurila in December.

Changes in holdings in Group companies within the Group

- Arapoti Saneamento Ltda and Empresa Lajeana Ltda were merged to Kemira Water Solutions Brasil Ltda in January.
- Kemira Pigments Oy sold its 50% share in Kemira Chile Comercial Ltda to Kemira Oyj and Kemira Kemi AB in June. Now Kemira owns 99% and Kemira Kemi AB 1% of the company.
- Kemira Oyj's ownership in Kemira Chemicals Brasil Ltda increased to 99.87% and Kemira Kemi AB's ownership decreased to 0.13% in December.
- Tikkurila sold its dormant company Construction Coating B.V. to Kemira Chemicals B.V. in December. The company was renamed Kemira ITT B.V.

36. NON-CURRENT ASSETS HELD FOR SALE AND DIRECTLY ASSOCIATED LIABILITIES

In connection with the strategic review process 2007, it was decided to classify the assets and liabilities of strategic business unit Chemidet as assets held for sale. The strategic business unit belongs to Kemira Specialty Business Area. The loss recognized in the income statement in 2007 was EUR 9.2 million. In 2008 the company decided to end the sale process and transfer the assets and liabilities for this strategic business unit under other comparable assets and liabilities in the balance sheet.

In 2007, the non-current assets held for sale included also a land area in Porkkala, Finland. The sale contract was signed in 2007 but the ownership of the land was transferred in 2008.

37. EVENTS AFTER THE BALANCE SHEET DATE

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

Kemira Oyj Income Statement (FAS)

(EUR million)

	Jan. 1–Dec. 31, 2008	Jan. 1–Dec. 31, 2007
Revenue	**285.3**	279.7
Change in inventories of finished goods	**5.8**	2.4
Own work capitalized	**1.3**	1.9
Other operating income	**114.5**	30.5
Materials and services	**–160.4**	–139.0
Personnel expenses	**–78.8**	–68.7
Depreciation	**–32.9**	–36.4
Other operating expenses	**–96.9**	–92.7
Operating profit / loss	**37.9**	–22.3
Financial income and expenses	**–16.9**	–28.9
Profit / loss before extraordinary items	**21.0**	–51.2
Extraordinary items	**36.1**	48.7
Profit / loss before appropriations and taxes	**57.1**	–2.5
Appropriations	**0.9**	1.3
Income tax	**–3.3**	3.9
Net profit / loss for the period	**54.7**	2.7

The Annual Report contains the Parent Company's financial statement in summary. Kemira has sent a copy of the full official financial statements to the Trade Register. The official financial statements are also available on Kemira's internet pages.

Kemira Oyj Balance Sheet (FAS)

(EUR million)

	Dec. 31, 2008	Dec. 31, 2007
ASSETS		
Non-current assets		
Intangible assets	**43.3**	26.9
Property, plant and equipment	**113.4**	113.2
Investments		
Holdings in subsidiaries	**1,346.8**	1,421.0
Holdings in associates	**137.5**	1.0
Other shares and holdings	**31.2**	21.1
Total investments	**1,515.5**	1,443.1
Total non-current assets	**1,672.2**	1,583.2
Current assets		
Inventories	**26.8**	19.5
Non-current receivables	**275.2**	323.4
Current receivables	**189.4**	204.8
Money market investments – cash equivalents	**68.4**	4.7
Cash and cash equivalents	**5.6**	4.6
Total current assets	**565.4**	557.0
Total assets	**2,237.6**	2,140.2
EQUITY AND LIABILITIES		
Equity		
Share capital	**221.8**	221.8
Capital paid-in in excess of par value	**257.9**	257.9
Retained earnings	**146.6**	204.5
Net profit / loss for the period	**54.7**	2.7
Total equity	**681.0**	686.9
Appropriations	**41.1**	42.1
Obligatory provisions	**52.5**	11.1
Liabilities		
Non-current liabilities	**479.1**	389.3
Current liabilities	**983.9**	1,010.8
Total liabilities	**1,463.0**	1,400.1
Total equity and liabilities	**2,237.6**	2,140.2

Kemira Oyj Cash Flow Statement (FAS)

(EUR million)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating result	37.9	−22.3
Adjustments to operating result	−58.7	−6.6
Depreciation	33.0	36.4
Interest received	41.3	44.6
Interest paid	−81.8	−68.3
Dividends received	31.6	9.2
Other financial items	3.8	−77.5
Income taxes paid	2.7	−2.6
Total funds from operations	9.8	−87.1
Change in net working capital		
Change in inventories	−5.4	−5.1
Change in current receivables	−12.8	−0.9
Change in interest-free current liabilities	8.4	−19.9
Change in net working capital, total	−9.8	−25.9
Total cash flows from operations	0.0	−113.0
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of subsidiaries	−35.2	−497.7
Purchase of other shares	−146.6	−8.2
Purchase of other property, plant and equipment	−45.9	−46.2
Proceeds from sale of subsidiaries	180.5	1.3
Proceeds from sale of other shares	0.0	6.1
Proceeds from sale of other property, plant and equipment	8.3	3.6
Total capital expenditure	−38.9	−541.1
Cash flow before financing	−38.9	−654.1
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in non-current loans (increase +, decrease −)	273.4	29.5
Change in non-current loan receivables (decrease +, increase −)	48.1	263.2
Short-term financing, net (increase +, decrease −)	−206.0	316.8
Increase in shareholdes' equity	0.0	0.2
Group contribution received	48.7	52.0
Dividends paid	−60.6	−58.2
Other	0.0	0.9
Net cash used in financing activities	103.6	604.4
Net change in cash and cash equivalents	64.7	−49.7
Cash and cash equivalents at end of year	74.0	9.3
Cash and cash equivalents at beginning of year	9.3	59.0
Net change in cash and cash equivalents	64.7	−49.7

Kemira Oyj Statement of Changes in Equity (FAS)

(EUR million)

	2008	2007
Share capital at Jan. 1	**221.8**	221.6
Increase (options)	-	0.2
Share capital at Dec. 31	**221.8**	221.8
Capital paid-in in excess of par value at Jan. 1	**257.9**	257.9
Increase (options)	-	-
Capital paid-in in excess of par value at Dec. 31	**257.9**	257.9
Retained earnings at Jan. 1	**207.2**	261.9
Net profit / loss for the period	**54.7**	2.7
Dividends paid	**−60.6**	−58.2
Share-based incentive plan; shares given	-	0.8
Retained earnings and net profit for the period at Dec. 31	**201.3**	207.2
Total equity at Dec. 31	**681.0**	686.9

The company owns 3,854,465 treasury shares, the acquisition cost of which totals EUR 25.9 million.

Change in treasury shares	EUR million	shares
Acquisition cost / no. of shares Jan. 1	25.9	3,854,465
Change		
Acquisition cost / no. of shares Dec. 31	25.9	3,854,465

Shares and Shareholders

Shares and Share Capital

On December 31, 2008, Kemira Oyj's share capital totaled EUR 221.8 million and the number of outstanding shares was 125,045,000. Each share entitles to one vote at the shareholders' meeting. Kemira Oyj shares are registered in the book-entry system maintained by the Euroclear Finland Ltd.

Shareholders

On December 31, 2008, Kemira Oyj had 21,333 registered shareholders (16,723 on December 31, 2007).

Kemira Oyj's largest individual shareholder on December 31, 2008, was Oras Invest Oy with a 16.6% interest (16.6% on December 31, 2007). Solidium Oy, a fully state-owned enterprise, held 16.5% of the shares (Finnish State held 16.5% on December 31, 2007). Foreign shareholders held 12.8% (18.4), including nominee registered holdings. Other Finnish institutions owned 38.6% (36.6%) and households 12.4% (8.8%) of the shares. At the end of the year, Kemira held 3,854,465 treasury shares (3,854,465), representing 3.1% (3.1) of all outstanding company shares. A monthly updated list of Kemira's major shareholders is available at the company website at www.kemira.com > Investors.

On December 11, 2008, the Finnish State transferred its 20,656,500 Kemira Oyj shares, representing 16.5% of Kemira shares and votes, to the fully state-owned enterprise Solidium Oy as a capital contribution in kind referred to in the Limited Liability Companies Act.

Listing and Share Trading

Kemira Oyj shares are listed on the NASDAQ OMX Helsinki Oy. On December 31, 2008, Kemira Oyj share closed at EUR 5.94 (2007: EUR 14.40), down by 59% year on year. The share price reached a high of EUR 14.77 (EUR 19.20) and a low of EUR 5.42 (EUR 13.11) during the year with the price averaging EUR 8.70 (EUR 16.42). The company's market capitalization, excluding treasury shares, was EUR 719.9 million at the year-end (EUR 1,745.1 million).

In 2008, Kemira Oyj's share trading volume on the stock exchange totaled 117.4 million (151.6 million) and was valued at EUR 1,028.4 million (EUR 2,492.9 million). Average daily trading volume was 464,022 shares (606,572).

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

Dividend Policy and Dividend Payment

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 0.25 be paid for the financial year 2008, accounting for a dividend payout of 86% of operative net income. Dividend record date is April 15, 2009 and payout April 22, 2009.

A dividend of EUR 0.50 per share was paid for the financial year 2007. The dividend record date was March 26, 2008, and the dividends (totaling EUR 60.6 million) were paid on April 2, 2008.

Board Authorizations

The Annual General Meeting on March 19, 2008 authorized the Board to decide on the repurchase of a maximum of 2,397,515 treasury shares. Shares will be repurchased by using unrestricted equity either through a direct 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 Oy ("Stock Exchange") at the market price quoted at the time of the repurchase. Shares will be acquired and paid for in accordance with the Rules of Stock Exchange and Euroclear Finland Ltd. Shares will 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 implementing the Company's share-based incentive plan. For the purposes mentioned above, the Company may retain, transfer or cancel the shares. The Board of Directors will decide on other terms related to the share repurchase. The authorization will remain valid until the end of the next Annual General Meeting. The Board had not exercised its authorization by December 31, 2008.

Furthermore, the Annual General Meeting authorized the Board to decide to issue a maximum of 12,500,000 new shares and to transfer a maximum of 6,252,250 treasury shares held by the company. The new shares may be issued and treasury shares held by the Company may be transferred either against payment or, as part of the implementation of the Company's share-based incentive plan, without payment. Furthermore, the new shares may be issued and the treasury shares held by the Company may be transferred to the Company's shareholders in proportion to their current shareholdings in the Company, or through a private placement if the Company has significant financial reasons for doing so, such as financing or implementing mergers and acquisitions, developing its capital structure, improving the liquidity of the Company's shares or if the share issue is justified for the purpose of implementing the Company's share-based incentive plan. A private placement may be carried out without payment only in connection with the implementation of the Company's share-based incentive plan. The subscription price of the new shares and the amount payable upon the transfer of treasury shares shall be recognized under unrestricted equity. The Board of Directors will decide on other terms related to the share issues. This authorization will remain valid until the end of the next Annual General Meeting. By December 31, 2008, the Board had not exercised its authorization.

Management Share-based Incentive Plan

Kemira has had a share-based incentive plan in use since 2004. The share-based incentive plan designed for key employees is part of the Group's incentive and commitment schemes. This plan aims at aligning the goals of the Group's shareholders and key executives in order to increase the Company's value, motivate key executives and provide them with competitive, shareholding-based incentives.

Kemira Oyj's Board of Directors made the decision in 2006 to introduce the current share-based incentive plan, which is divided into three one-year performance periods: 2007, 2008 and 2009. Any bonuses earned are to be paid out by the end of April in the year following the performance period. Payment of bonuses depends on the achievement of the set financial targets, which for 2008 are gauged on the basis of earnings per share and the return on capital employed. Any bonuses will be paid as a combination of Kemira shares and cash payment.

Any shares earned through the plan must be held for a minimum of two years following the date of each payment. The employee must return the shares to the Company without payment if his/her employment or service with the Company is terminated of his/her own accord or by the Company within two years of the payment. In addition, the President and CEO and Management Board members must retain shares obtained through the scheme at least to the value of their gross annual salary for as long as they remain in the Company's employment. On December 31, 2008, a total of 83 key employees were involved in the share-based incentive plan. The maximum number of Kemira Oyj shares transferable under the incentive plan comes to around 774,000.

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

Management Shareholding

The members of the Board of Directors as well as the President and CEO and his Deputy held 849 729 Kemira Oyj shares on December 31, 2008, or 0,68% (0.58%) of all outstanding shares and voting rights (including treasury shares and shares held by the related parties and controlled corporations). Harri Kerminen, President and CEO, held 17,167 shares on December 31, 2008 (17,167). 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 39,122 shares on Decem-ber 31, 2008, representing 0,03% of all outstanding shares and voting rights (including treasury shares and shares held by the related parties and controlled corporations).

Updated information regarding the shareholdings of the Board of Directors and management is available at Kemira's website at www.kemira.com > Investors.

Shares and Shareholders

Largest Shareholders, December 31, 2008

	Shareholder	Number of Shares	% of Shares and Votes
1	Oras Invest Oy	20,707,020	16,56
2	Solidium Oy	20,656,500	16,52
3	Varma Mutual Pension Insurance Company	12,148,669	9,72
4	Ilmarinen Mutual Pension Insurance Company	8,322,796	6,66
5	Suomi Mutual Life Insurance Company	2,770,000	2,22
6	Mandatum Life	2,088,089	1,67
7	Tapiola Mutual Pension Insurance Company	1,786,500	1,43
8	The State Pension Fund	1,700,000	1,36
9	OP-Delta Investment Fund	751,514	0,60
10	OP-Suomi Arvo Investment Fund	685,000	0,55
11	Finow Oy	625,225	0,50
12	Nextstone Oy	625,225	0,50
13	Wate Oy	625,225	0,50
14	Veritas Pension Insurance Company	620,000	0,50
15	Nordea Bank Finland Oyj	566,592	0,45
16	Kaleva Mutual Insurance Company	550,000	0,44
17	Nordea Life Insurance Finland Ltd	441,473	0,35
18	Nordea Fennia Investment Fund	393,954	0,32
19	Tapiola General Mutual Insurance Company	390,369	0,31
20	Kemira Growhow	386,760	0,31
	Kemira Oyj	3,854,465	3,08
	Nominee-registered shares	14,547,552	11,63
	Others, total	29,802,072	23,82
	Total	125,045,000	100,00

Shareholding by Number of Shares Held December 31, 2008

Number of Shares	Number of Shareholders	% of Shareholders	Shares Total	% of Shares and Votes
1–100	4,433	20.78	300,514	0.24
101–500	9,188	43.07	2,585,705	2.07
501–1,000	3,833	17.97	3,042,085	2.43
1001–5,000	3,159	14.81	6,691,723	5.35
5,001–10,000	371	1.74	2,722,741	2.18
10,001–50,000	245	1.15	5,212,499	4.17
50,001–100,000	41	0.19	3,092,919	2.47
100,001–500,000	44	0.21	8,663,803	6.93
500,001–1,000,000	8	0.04	5,048,781	4.04
1,000,001–	11	0.04	87,684,230	70.12
Total	21,333	100.00	125,045,000	100.00
Including nominee-registered shares	12		14,547,552	11.63

Board Proposal for Profit Distribution

On December 31, 2008, Kemira Oyj's distributable funds totaled EUR 201,327,564 of which net profit for the period accounted for EUR 54,688,465.

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 be allocated as follows:

- Distributing a per-share dividend of EUR 0.25 for the financial year, or a total of EUR 30,297,634.
- Retaining EUR 171,029,930 under unrestricted equity

Helsinki, February 24, 2009

Pekka Paasikivi

Jukka Viinanen	Elizabeth Armstrong
Juha Laaksonen	Ove Mattsson
Kaija Pehu-Lehtonen	Jarmo Väisänen

Harri Kerminen
CEO

Auditors' Report

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

To the Annual General Meeting of Kemira Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Kemira Oyj for the year ended on December 31, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

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

Auditors' Responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with professional ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the President and CEO have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit has been performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

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

Opinion on the Company's Financial Statements and the Report of the Board of Directors

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

Opinion on the Discharge from Liability and Disposal of Distributable Funds

The consolidated financial statements and the parent company's financial statements can be adopted and the members of Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Finnish Limited Liability Companies Act.

Helsinki, February 24, 2009
KPMG OY AB

Pekka Pajamo
Authorized Public Accountant

Quarterly Earnings Performance

(EUR million)

(The figures are unaudited)

	1–3	4–6	7–9	10–12	2008 Total	1–3	4–6	7–9	10–12	2007 Total
Revenue										
Kemira Pulp&Paper	**263.9**	**253.6**	**281.9**	**258.3**	**1,057.7**	262.7	267.0	259.7	253.6	1,043.0
Kemira Water	**179.5**	**187.6**	**202.3**	**190.6**	**760.0**	157.9	173.2	175.0	180.3	686.4
Kemira Specialty	**107.0**	**108.8**	**95.8**	**63.7**	**375.3**	103.5	110.6	109.8	102.0	425.9
Kemira Coatings	**145.2**	**205.7**	**193.7**	**103.5**	**648.1**	135.8	188.7	182.3	118.4	625.2
Other and intra-group sales	**–12.0**	**–14.2**	**6.3**	**11.5**	**–8.4**	13.4	13.5	2.7	0.1	29.7
Total	**683.6**	**741.5**	**780.0**	**627.6**	**2,832.7**	673.3	753.0	729.5	654.4	2,810.2
Operating profit										
Kemira Pulp&Paper	**15.6**	**10.1**	**14.5**	**–38.0**	**2.2**	22.9	23.3	23.8	–1.8	68.2
Kemira Water	**9.2**	**5.5**	**8.9**	**–12.7**	**10.9**	12.0	13.1	14.7	3.8	43.6
Kemira Specialty	**3.8**	**1.6**	**21.2**	**9.8**	**36.4**	10.3	7.1	10.0	–13.9	13.5
Kemira Coatings	**11.7**	**29.7**	**30.4**	**–12.6**	**59.2**	12.8	27.3	38.9	–5.9	73.1
Other including eliminations	**–7.3**	**–7.6**	**–5.2**	**–14.6**	**–34.7**	–9.1	–13.2	–7.9	–25.1	–55.3
Total continuing operations	**33.0**	**39.3**	**69.8**	**–68.1**	**74.0**	48.9	57.6	79.5	–42.9	143.1
Financial income and expenses, net	**–11.2**	**–13.9**	**–20.7**	**–23.7**	**–69.5**	–12.2	–12.6	–11.8	–15.3	–51.9
Share of profit or loss of associates	**0.1**	**0.2**	**–0.3**	**–2.7**	**–2.7**	0.6	0.7	0.6	0.2	2.1
Profit before tax	**21.9**	**25.6**	**48.8**	**–94.5**	**1.8**	37.3	45.7	68.3	–58.0	93.3
Income tax	**–5.9**	**–6.7**	**–13.4**	**26.0**	**0.0**	–10.0	–12.4	–15.4	12.0	–25.8
Net profit for the period	**16.0**	**18.9**	**35.4**	**–68.5**	**1.8**	27.3	33.3	52.9	–46.0	67.5
Attributable to:										
Equity holders of the parent	**14.8**	**17.6**	**34.4**	**–68.6**	**–1.8**	26.4	32.3	51.8	–46.8	63.7
Minority interests	**1.2**	**1.3**	**1.0**	**0.1**	**3.6**	0.9	1.0	1.1	0.8	3.8
Net profit for the period	**16.0**	**18.9**	**35.4**	**–68.5**	**1.8**	27.3	33.3	52.9	–46.0	67.5
Earnings per share, diluted, EUR	**0.12**	**0.15**	**0.28**	**–0.57**	**–0.02**	0.22	0.27	0.43	–0.39	0.53
Capital employed, rolling					**2,062.8**					2,035.8
Return on capital employed (ROCE), %					**3.5%**					7.1%

Information for Investors

Basic Share Information

Listed on:	NASDAQ OMX Helsinki Oy
Trading code:	KRA1V
ISIN Code:	FI0009004824
Industry group:	Materials
Industry:	Chemicals
Number of shares, Dec 31, 2008:	125,045,000
Listing date:	November 10, 1994

Financial Reports

Kemira will publish the following financial reports for the financial year 2009 in Finnish and English:

May 6, 2009	Interim Report for January–March
July 30, 2009	Interim Report for January–June
October 29, 2009	Interim Report for January–September
February 2010	Financial Statements Bulletin
March 2010	Annual Report

Kemira publishes its Interim Reports, press releases, Annual Reports and Environmental Report on its website at www.kemira.com. On this 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.

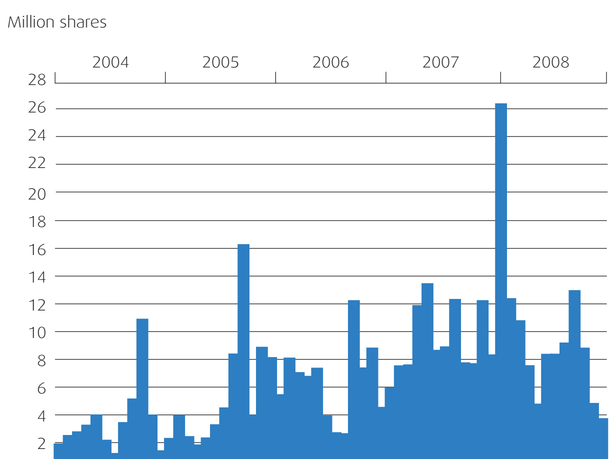
Investor Relations

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 is regularly available to capital market representatives. In 2008, Kemira's representatives met with investors in Helsinki, Stockholm, Copenhagen, Frankfurt, Geneva, Milan, Paris, London, Edinburgh, Dublin, Boston, New York, Los Angeles, San Diego, Chicago, Toronto and Tokyo. Kemira's yearly organized Capital Markets Day was held on September 9, 2008 in Vantaa, Finland. The theme of the event was the paints and coatings business.

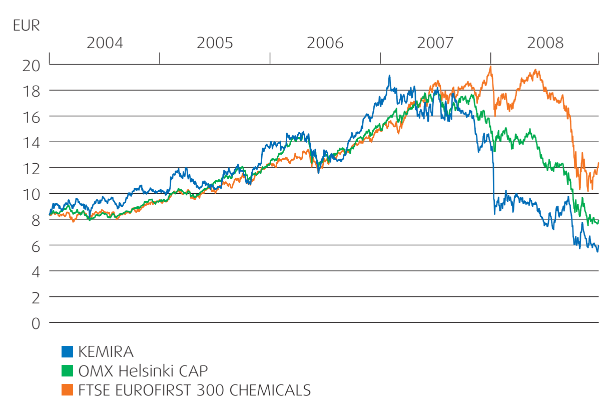
The company observes a 30-day closed period before it publishes its financial statements bulletin and interim reports. During this period, Kemira's management is not available for meetings with capital market representatives.

Monthly Trading Volume on the NASDAQ OMX Helsinki 2004–2008



Excluding 40,097,420 shares sold by the Finnish State in August 2007.

Share Price 2004–2008



Information for Investors

Investment Analysis

At the least the following banks and brokerage firms have prepared an investment analysis of Kemira in 2008:

Carnegie	Morgan Stanley
Cazenove	Nordea
Crédit Agricole Cheuvreux	Pohjola
Danske Markets Equities	SEB Enskilda
Deutsche Bank	Standard & Poor's
eQ Bank	UBS
Evli Bank	Öhman
FIM	

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

Annual General Meeting

Date: Wednesday April 8, 2009 at 1:00 pm.
Venue: Marina Congress Center, Katajanokanlaituri 6, Helsinki.

Attendance is open to shareholders who have been entered in Kemira Oyj's Shareholder Register, maintained by Euroclear Finland Ltd, by March 27, 2009.

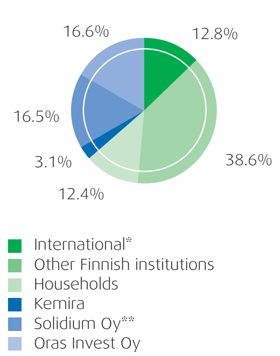
Shareholders wishing to attend the meeting must give notification of their intention to attend by 4 pm Finnish time on April 3, 2009, using one of the following means:

– On Kemira's website at www.kemira.com
– By letter addressed to Kemira Oyj, Arja Korhonen, P.O. Box 330, FIN–00101 Helsinki;
– By fax +358 (0)10 862 1197 or
– By telephone +358 (0)10 862 1703 on weekdays between 9:00 am and noon, and between 1:00 and 4:00 pm.

Shareholders wishing to be represented by proxy are requested to provide a Power of Attorney together with their notification.

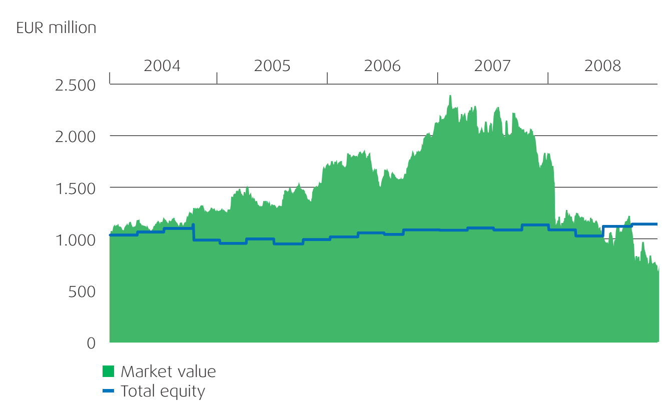
Any shareholder has the right to submit an issue pertaining to the Company's industry and a statutory issue for discussion by the shareholders' meeting, if (s)he requests this in writing from the Board of Directors well in advance, so that the issue can be incorporated into the Notice of Meeting. Kemira will release a stock exchange release on the Annual General Meeting's decisions immediately after the meeting.

Ownership Dec. 31, 2008



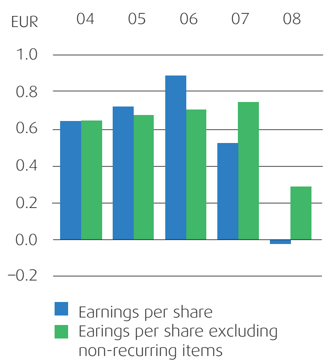
* Including nominee-registered institutions.
** Solidium Oy (entirely state-owned)

Market Value 2004–2008

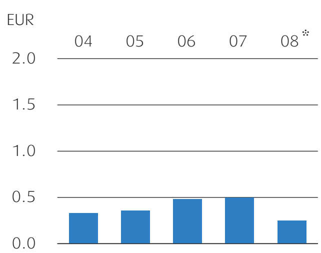


Information for Investors

Earnings per Share, EPS



Dividend per Share



* Board of Directors' dividend proposal 2008

Dividend Payments

Dividend ex-date	April 9, 2009
Dividend record date	April 15, 2009
Dividend payout	April 22, 2009

The Board of Directors proposes to the Annual General Meeting that a per-share dividend of EUR 0.25 be paid for the financial year 2008.

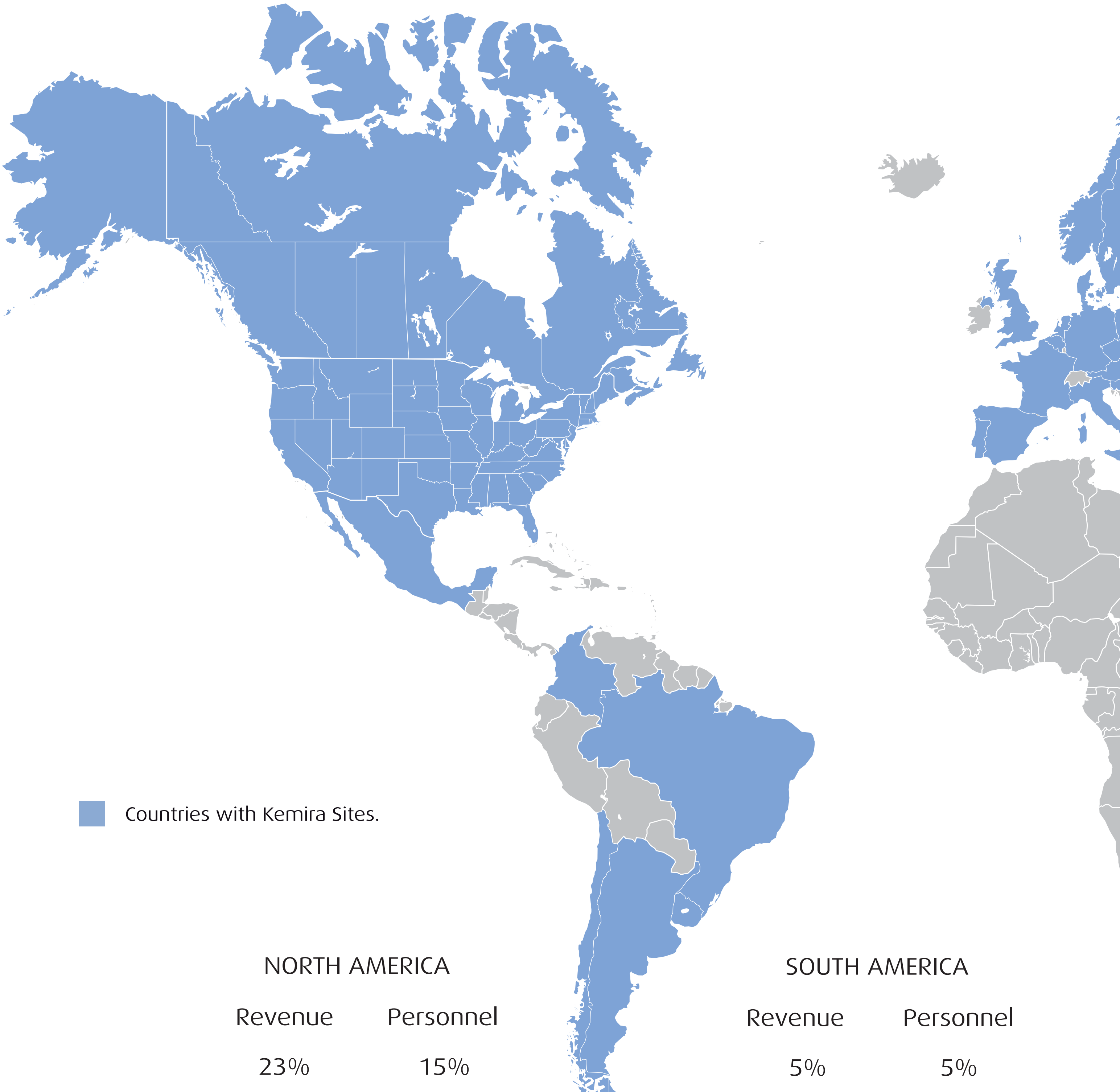
Change of Address

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

Päivi Antola, Senior Manager, Investor Relations and Financial Communications
Tel. +358 10 862 1140, e-mail: paivi.antola@kemira.com

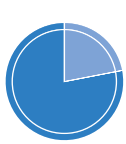
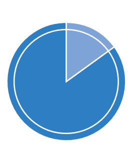
Global Kemira



Countries with Kemira Sites.

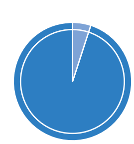
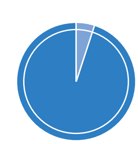
NORTH AMERICA

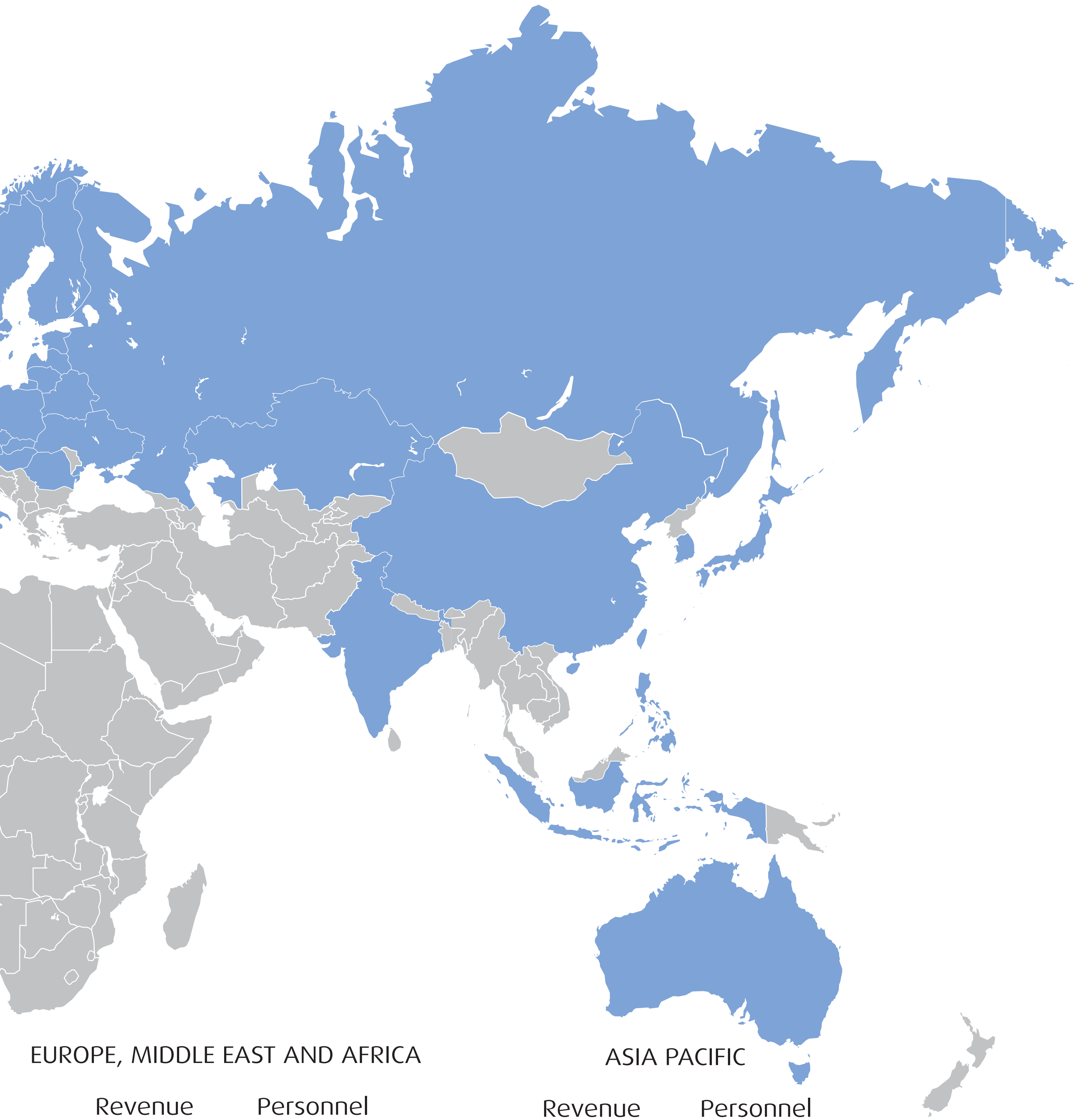
Revenue	Personnel
23%	15%

SOUTH AMERICA

Revenue	Personnel
5%	5%

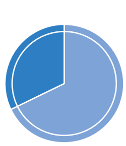
 



EUROPE, MIDDLE EAST AND AFRICA

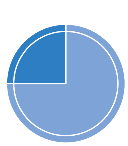
Revenue

68%



Personnel

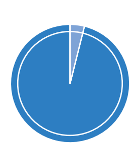
75%



ASIA PACIFIC

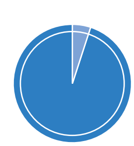
Revenue

4%



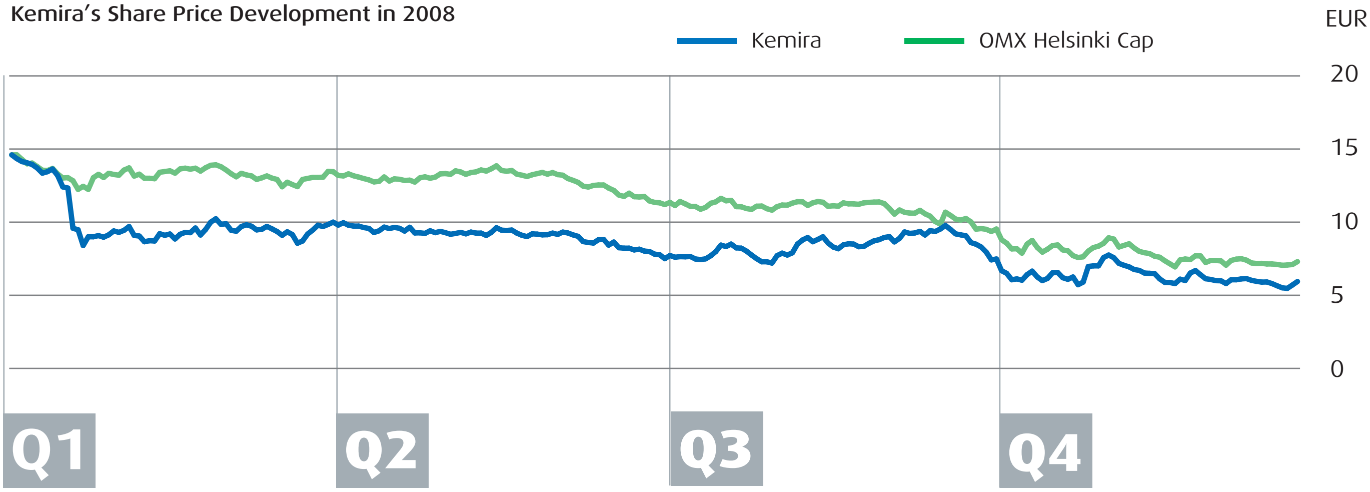
Personnel

5%



Major Events

Kemira's Share Price Development in 2008



January–March 2008

January 23
Paper segment's PT Kemira Indonesia started up.

February 6
Kemira's revenue in 2007 was EUR 2810,2 milion, up by 11%.

March 17
Eeva Salonen appointed EVP Human Resources for Kemira starting from June 9.

March 19
AGM re-elected Pekka Paasikivi as chairman of the Board of Directors, and confirmed a per-share dividend of EUR 0.50 for the 2007 financial year.

April–June 2008

April 15
Asian Technology Center was inaugurated.

June 6
Kemira and the European Investment Bank (EIB) signed EUR 100 million research and development loan agreement.

June 11
EU Commission set fine on Finnish Chemicals Oy for breach of antitrust law.

June 18
Kemira published its new strategy: it focuses on water and fiber management chemistry.

June 30
Päivi Jokinen appointed VP Marketing for Kemira starting from October 1.

July–September 2008

July 24
Kemira increased its formic acid capacity in Oulu.

August 4
Kemira set over EUR 50 million global savings target.

August 15
Tikkurila announced to establish a sales company in Minsk, Belarus.

September 1
Kemira and Rockwood TiO_2 joint venture was confirmed.

September 23
Kemira announced to open an R&D center at Georgia Tech campus in Atlanta, USA.

October–December 2008

October 24
Erkki Järvinen appointed President and CEO of Tikkurila Oy.

November 17
Acquisition of Brazilian water treatment company Nheel Quimica was confirmed.

December 15
Tikkurila acquired sales company Finncolor Slovakia s.r.o. which operates in Martin, Slovakia.

December 18
Kemira announced that its savings program is on track and it has identified further savings potential of EUR 10 million.

Kemira Oyj

Porkkalankatu 3
P.O. BOX 330
FI-00101 Helsinki, Finland

Tel. +358 10 8611
Fax +358 10 862 1119

E-mail: firstname.lastname@kemira.com
www.kemira.com

Domicile Helsinki, VAT NO FI0109823-0