Kemira Oyj

Financial Statements 2017

Kemira Oyj

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BOARD OF DIRECTORS' REVIEW 2017

In 2017, Kemira Group's revenue increased 5% to EUR 2,486.0 million (2,363.3) as sales volumes grew mainly due to recovery in the North American oil & gas business. Revenue in local currencies, excluding acquisitions and divestments, increased 6%.

Operative EBITDA increased 3% to EUR 311.3 million (302.5), mainly due to higher sales volumes more than offsetting the increase in variable costs. Operative EBITDA margin was 12.5% (12.8%).

EBITDA decreased 1% to EUR 282.4 million (284.2), mainly due to a EUR 12.7 million settlement for a damage claim relating to the alleged old infringement of competition law in the hydrogen peroxide business during 1994-2000.

EPS decreased to EUR 0.52 (0.60) mainly due to the settlement for the damage claim and higher finance costs. In the previous year, finance costs included a gain of EUR 5 million related to the sale of electricity production assets.

The Board of Directors proposes a cash dividend of EUR 0.53 per share (0.53) to the Annual General Meeting 2018, totaling EUR 81 million (81).

KEY FIGURES AND RATIOS

EUR million	2017	2016
Revenue	2,486.0	2,363.3
Operative EBITDA	311.3	302.5
Operative EBITDA, %	12.5	12.8
EBITDA	282.4	284.2
EBITDA, %	11.4	12.0
Operative EBIT	170.3	170.1
Operative EBIT, %	6.9	7.2
EBIT	141.4	147.0
EBIT, %	5.7	6.2
Finance costs, net	-28.9	-19.1
Profit before taxes	112.6	128.0
Net profit for the period	85.2	97.9
Earnings per share, EUR	0.52	0.60
Capital employed*	1,763.2	1,718.2
Operative ROCE*, %	9.7	9.9
ROCE*, %	8.0	8.6
Cash flow from operating activities	205.1	270.6
Capital expenditure excl. acquisition	190.1	212.6
Capital expenditure	190.1	210.6
Cash flow after investing activities	13.0	97.8
Equity ratio, % at period-end	44	45
Equity per share, EUR	7.61	7.68
Gearing, % at period-end	59	54
Personnel at period-end	4,732	4,818

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

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

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

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

* Revenue growth in local currencies, excluding acquisitions and divestments

FINANCIAL PERFORMANCE, FULL YEAR 2017

Kemira Group's **revenue** increased 5% due to sales volume growth mainly in the North American oil & gas business. Revenue in local currencies, excluding acquisitions and divestments, increased 6%.

Revenue	2017 EUR, million	2016 EUR, million	Δ%	Organic growth*, %	Currency impact, %	Acq. & div. impact, %
Pulp & Paper	**1,476.9**	1,457.3	+1	+2	0	0
Industry & Water	**1,009.1**	906.0	+11	+12	-1	0
Total	**2,486.0**	2,363.3	+5	+6	-1	0

* Revenue in local currencies, excluding acquisitions and divestments

Geographically, the revenue split was as follows: EMEA (Europe, Middle East, Africa) 52% (52%), the Americas 39% (38%), and Asia Pacific 9% (10%).

Operative EBITDA increased 3% mainly due to higher sales volumes more than offsetting the increase in variable costs. Sales prices started to recover during the year. The negative impact from the force majeure due to the fire that occurred in January at Venator site in Finland was around EUR 6 million and the insurance compensation covered almost all of the gross margin loss.

Variance analysis, EUR million	Jan-Dec
Operative EBITDA, 2016	**302.5**
Sales volumes	+54.2
Sales prices	-5.3
Variable costs	-42.3
Fixed costs	-5.7
Currency exchange	+1.6
Others	+6.2
Operative EBITDA, 2017	**311.3**

Operative EBITDA	2017 EUR, million	2016 EUR, million	Δ%	2017 %-margin	2016 %-margin
Pulp & Paper	**197.7**	195.3	+1	**13.4**	13.4
Industry & Water	**113.6**	107.2	+6	**11.3**	11.8
Total	**311.3**	302.5	+3	**12.5**	12.8

EBITDA decreased 1% and the difference to operative EBITDA is explained by items affecting comparability. **Items affecting comparability** mainly resulted from the organizational restructuring costs and the EUR 12.7 million settlement for the damage claim relating to the alleged old infringement of competition law in the hydrogen peroxide business during 1994-2000. In the previous year, items affecting comparability were mainly related to restructuring of manufacturing plants and integration of an acquisition.

Items affecting comparability, EUR million	2017	2016
Within EBITDA	**-28.9**	-18.3
Pulp & Paper	-17.9	-7.5
Industry & Water	-11.0	-10.8
Within depreciation, amortization and impairments	**0.0**	-4.8
Pulp & Paper	0.0	-2.5
Industry & Water	0.0	-2.3
Total items affecting comparability in EBIT	**-28.9**	-23.1

Depreciation, amortization and impairments increased to EUR 141.0 million (137.2). Depreciation and amortization included EUR 16.7 million (19.2) amortization of purchase price allocation.

Operative EBIT was at prior-year level as higher operative EBITDA was offset by increased depreciation and amortization. **EBIT** decreased 4% and the difference to operative EBIT is explained by items affecting comparability.

Finance costs, net totaled EUR -28.9 million (-19.1). In the previous year, finance costs included a gain of EUR 5 million related to the sale of electricity production assets (Pohjolan Voima Oy). Changes in fair values of electricity derivatives were EUR 0.2 million (2.2). The currency exchange differences had EUR -3.2 million (-1.1) impact on the net financial expenses.

Income taxes decreased to EUR -27.4 million (-30.1) as a result of lower profit before taxes. The reported tax rate in both years was 24%.

Net profit attributable to equity owners of the parent company decreased 14% mainly due to the EUR 12.7 million settlement for the damage claim in 2017 and a EUR 5 million capital gain from the sale of electricity production assets, which took place in June 2016.

FINANCIAL POSITION AND CASH FLOW

Cash flow from the operating activities in January-December 2017 decreased to EUR 205.1 million (270.6), mainly due to the EUR 12.7 million settlement for a damage claim relating to the alleged old infringement of competition law in the hydrogen peroxide business during 1994-2000, restructuring costs, and higher net working capital.

Cash flow after investing activities decreased to EUR 13.0 million (97.8). Previous year figure included EUR 35 million proceeds from divestment of electricity assets in Finland.

At the end of 2017, interest-bearing liabilities totaled EUR 861 million (807). The average interest rate of the Group's interest-bearing liabilities was 2.0% (2.1%). The duration of the Group's interest-bearing loan portfolio was 33 months (26).

Short-term liabilities maturing in the next 12 months amounted to EUR 191 million (158). On December 31, 2017, cash and cash equivalents totaled EUR 166 million (173). In addition, the Group has EUR 400 million revolving credit facility, which was undrawn.

In May 2017, EUR 100 million of outstanding notes maturing in 2019 were exchanged to EUR 200 million issuance of new senior unsecured notes. The new bond will mature on 2024.

At the end of the year Group's net interest-bearing liabilities were EUR 694 million (634). The equity ratio was 44% (45%), while the gearing was 59% (54%). The shareholders' equity was EUR 1,172.8 million (1,182.9).

The Group's most significant transaction currency risks arise from the Swedish krona, the U.S. dollar and the Canadian dollar. At the end of the year, the denominated 12-month exchange rate risk of the Swedish krona had an equivalent value of approximately EUR 58 million, 63% of which was hedged on an average basis. The U.S. dollar denominated exchange rate risk was approximately EUR 30 million, 58% of which was hedged on an average basis. The Canadian dollar denominated exchange rate risk was approximately EUR 36 million, 63% of which was hedged on an average basis. In addition, Kemira is exposed to smaller transaction risks in relation to the Chinese renminbi, Norwegian krona, and Brazilian real with the total annual exposure in these currencies of approximately EUR 56 million.

As Kemira's consolidated financial statements are compiled in euros, Kemira is also subject to a currency translation risk to the extent to which the income statement and balance sheet items of subsidiaries located outside Finland are reported in a currency other than euro. The most significant translation exposure derives from the U.S. dollar, the Swedish krona, the Canadian dollar, the Chinese renminbi, and the Brazilian real. Strengthening of these currencies against the euro would increase Kemira's revenue and EBITDA through a translation effect.

CAPITAL EXPENDITURE

In 2017, capital expenditure decreased 10% to EUR 190.1 million (210.6). Capital expenditure can be broken down as follows: expansion capex 35% (45%), improvement capex 34% (27%), and maintenance capex 31% (28%).

The largest investments during the year were the sodium chlorate capacity expansion in Joutseno, Finland, as well as capacity additions at multiple sites and capital expenditures related to the integration of Akzo Nobel's paper chemicals acquisition.

RESEARCH AND DEVELOPMENT

Research and Development expenses totaled EUR 30.3 million (32.1) in 2017 representing 1.2% (1.4%) of the Group's revenue.

Kemira's Research and Development is a critical enabler of the growth and further differentiation. New product launches contribute to the efficiency and sustainability of customer processes and to the improved profitability. Both Kemira's future market position and profitability depend on the company's ability to understand and meet current and future customer needs and market trends, and on its ability to innovate new differentiated products and applications.

The Group's target is to increase the revenue from new products and products for new applications. In 2017, the share of innovation revenue (revenue from new products or from products to new applications launched within the past five years) of the Group's revenue increased to 10% (9%).

At the end of 2017, Kemira had 389 (348) patent families, 1,525 (1,236) granted patents, and 1,017 (860) pending applications. The increase in figures is related to the acquisition of AkzoNobel's paper chemicals business. A patent family covers one invention and has a number of patents or applications in various countries. During 2017, Kemira received 52 (48) new patents and introduced 11 (14) new products.

HUMAN RESOURCES

At the end of the period, Kemira Group had 4,732 employees (4,818). Kemira employed 803 people in Finland (796), 1,768 people elsewhere in EMEA (1,813), 1,514 in the Americas (1,558), and 647 in APAC (651).

NON-FINANCIAL INFORMATION

Material impacts through Kemira's business model

Kemira has systematic procedures in place to evaluate and address economic, environmental and social impacts from its own operations and business relationships. Our principal material impacts are related to products improving our customers´ sustainability, chemical safety management throughout its lifecycle, responsible management of our own operations, responsible performance and good governance throughout our supply chains, engagement and competence development of our employees and responsible business practices in our own operations or with our business partners. The principal risks and opportunities related to the impacts of Kemira's activities are actively managed and integrated into our management systems.

Kemira is committed to take responsibility on the impacts through its business model, mitigate risks and leverage opportunities. The United Nations Global Compact is signed by Kemira as our commitment to implement universal sustainability principles and to respect and promote human rights, implement decent work practices, reduce our environmental impact, and combat corruption. Kemira Oyj has signed also the Responsible Care® initiative, a voluntary commitment made by the global chemical industry to improve health, environmental performance, and security, and to communicate with stakeholders about products and processes.

Corporate responsibility priorities

Kemira's corporate responsibility program is defined to address our principal impacts and related risks and opportunities. The priorities cover sustainable products and solutions, responsible operations and supply chain, and people and integrity. Kemira measures progress in the priority areas through the Group level targets and KPIs, which are approved by the Management Board and reviewed by the Board of Directors. The results for 2017 are presented in the table Corporate responsibility performance.

Sustainable products and solutions

Kemira is committed to incorporate sustainability into our products and solutions. Kemira's New Product Development (NPD) process applies evaluations to examine the economic, environmental, and social impacts of any new product, compared to existing benchmarked solutions. Successful NPD projects must demonstrate both improved sustainability and business benefits at each decision gate to justify the project's continuation, and ultimately the product launch.

Kemira's Product Stewardship Policy defines principles for the proactive management of the health, safety and environmental aspects of a product throughout its life cycle. We also work to identify less hazardous and more sustainable alternatives for raw materials. Other measures include ensuring safe transportation, handling, storage and disposal of our products in the value chain.

Responsible operations and supply chain

Kemira is committed to ensure responsible operations to protect our assets, our environment, employees, contractors, customers and communities. Kemira's Environmental, Health, Safety and Quality (EHSQ) policy defines operating principles for managing environmental, health, safety, and quality in our operations. Kemira aims to have certifiable environmental, health, safety, and quality management system in place for all manufacturing sites. Ensuring people safety is a key in all operations. We strive for continuous improvement to reduce our environmental impacts. Kemira has a target to reduce greenhouse emissions by 20 percentage units by 2020 compared to baseline year 2012.

Kemira is committed to ensure compliance with responsible business practices in our supply chain. Kemira's Code of Conduct for Suppliers, Distributors and Agents (CoC SDA) defines principles for responsible business conduct, respect for human rights and provision of appropriate working conditions, and environmental responsibility. Compliance with the Kemira CoC-SDA is required by all our suppliers and business partners. Our strategic, critical, and large spend suppliers are requested to participate in a sustainability assessment process based on the principles of the UN Global Compact and the Responsible Care program. Approximately 25% of total spend has been assessed. Based on the assessment results, the suppliers are classified into risk categories and needed actions are defined. Suppliers with ongoing improvement plans are always reassessed the following year and high risk suppliers are audited.

People and Integrity

Culture and commitment to people are an important success factor in Kemira's business. Kemira's performance management process aligns our strategic targets with each employees' personal targets, performance evaluation competences and development plans. The process is a part of Kemira's leadership culture and it forms the backbone of our management system.

Our Code of Conduct (the Code) is the foundation for our business conduct in Kemira. Our Code puts a framework around our values and reflects our commitments towards our key stakeholders. Kemira is committed to the principles of The Universal Declaration of Human Rights and the United Nations' Global Compact, and we expect also our suppliers and business partners to share these principles. Kemira principles of anti-corruption are included in the Code of Conduct. Kemira does not tolerate improper or corrupt payments made directly or indirectly to a customer, government official or third party, including facilitation payments, improper gifts, entertainment, gratuities, favours, donations or any other improper transfer of value. We engage only reputable sales representatives and other third parties who share the same commitment.

Code of Conduct training is mandatory to all our employees and there are advisory, monitoring and reporting procedures in place to ensure proper accomplishment of the code. Ethics and Compliance Hotline is available for employees enabling them to report potential violations of the Code of Conduct or any other concerns.

Mandatory Anti-Bribery training is targeted to the selected personnel groups, who need to have comprehensive understanding on Kemira's anti-corruption principles. The awareness of anti-corruption matters is employed through our Code of Conduct training to all employees. Kemira has conducted an ethics and compliance risks assessment to evaluate anti-corruption and bribery related risks in its operations. There were no confirmed incidents of corruption or public legal cases regarding corruption in 2017.

Non-Financial Reporting

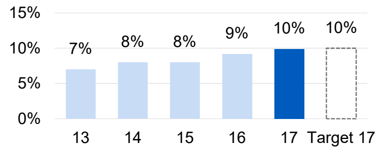
More detailed information is presented in Kemira Annual Report 2017, section GRI disclosures. The non-financial disclosures are based on the GRI disclosures, which is prepared in accordance with the GRI standards (2016) and externally assured by an independent third-party Deloitte.

CORPORATE RESPONSIBILITY PERFORMANCE

Sustainable products and solutions

Target | **Performance 2017**

Innovation sales
Share of innovation revenue of total revenue, 10% by the end of 2017



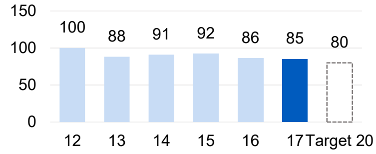
Comments
Innovation sales target of 10% of total revenue was reached. Commercialization of new sustainable products have succeeded in replacing the sales of old bestselling products from the previous five years.

ACHIEVED

Responsible operations and supply chain

Target | **Performance 2017**

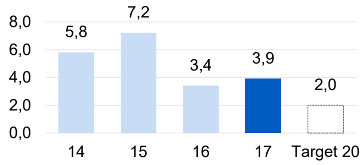
Climate change
Kemira Carbon Index ⩽ 80 by end of 2020 (2012 = 100)



Comments
Slight decrease in carbon index compared to 2016, due to increased use of carbon neutral energy sources and continuous implementation of energy efficiency projects.

IN PROGRESS

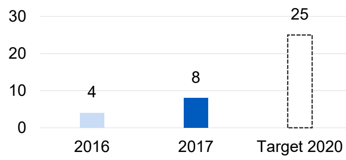
People health and safety
Achieve zero injuries on long term; TRIF* 2.0 by end of 2020



Comments
In 2017, TRIF increased to 3.9. The increase in incidents were related to contracted work at our premises. Also the severity of incidents increased, including 3 permanent disabilities.

BEHIND TARGET

Supplier management
5 sustainability audits for highest risk** suppliers every year during 2016-2020, average, cumulative target 25 by 2020



Comments
Four SMETA (Sedex Members Ethical Trade Audit) audits in collaboration with an external service provider was conducted with no business stopping results. Majority of the corrective actions were related to health and safety and labor practices.

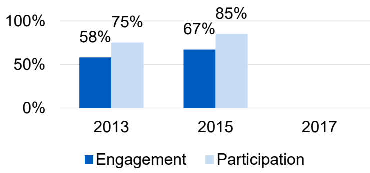
IN PROGRESS

People and integrity

Target | **Performance 2017**

Employee engagement index based on Voices@Kemira biennial survey
The index at or above the external industry norm

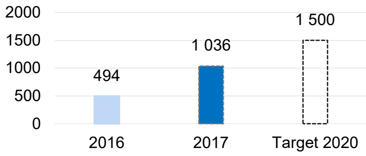
Participation rate in Voices@Kemira 75% or above



Comments
Due to the reorganization, the biennial employee engagement survey was postponed from autumn 2017 until spring 2018, to give managers at least six months with their new teams before engaging in the survey.

BEHIND TARGET

Leadership development activities provided, average
Two (2) leadership development activities per people manager position during 2016-2020, cumulative target 1,500 by 2020



Comments
Steady rate of participation in both internal and external leadership development activities continued in 2017 at 542 and actual cumulative total so far 1,036. The activities also included on-the-job learning opportunities in corporate development projects.

IN PROGRESS

* TRIF = Number of Total Recordable Injury Frequency per million hours, Kemira + contractor
** Suppliers with lowest sustainability assessment score

SEGMENTS

PULP & PAPER

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

EUR million	**2017**	2016
Revenue	**1,476.9**	1,457.3
Operative EBITDA	**197.7**	195.3
Operative EBITDA, %	**13.4**	13.4
EBITDA	**179.9**	187.8
EBITDA, %	**12.2**	12.9
Operative EBIT	**104.8**	111.6
Operative EBIT, %	**7.1**	7.7
EBIT	**86.9**	101.6
EBIT, %	**5.9**	7.0
Capital employed*	**1,165.2**	1,111.8
Operative ROCE*, %	**9.0**	10.0
ROCE*, %	**7.5**	9.1
Capital expenditure excl. M&A	**138.3**	127.1
Capital expenditure incl. M&A	**138.3**	125.1
Cash flow after investing activities	**15.7**	105.7

*12-month rolling average

Segment's **revenue** increased 1% driven by higher sales volumes. Revenue in local currencies, excluding divestments and acquisitions, increased 2%. The force majeure due to the fire that occurred in January at the Venator site in Finland and supply issues with a key raw material in China impacted the segments' revenue by more than EUR -30 million.

In **EMEA**, revenue increased 3% to EUR 780.0 million (760.2) due to sales volume growth in several product lines, especially demand for pulp chemicals continued strong. The start-up of the new sodium chlorate line in Joutseno, Finland, had a positive impact.

In the **Americas**, revenue decreased 3% to EUR 505.9 million (519.1) as a combination of negative currency impact and lower demand in North America. Prices were also under pressure in North America. In South America, sales volumes increased driven by bleaching chemicals, and the currency exchange rates also contributed to higher revenue.

In **APAC**, revenue increased 7% to EUR 191.0 million (178.0) as a result of sales volume growth despite the supply issues of certain raw material for AKD products. The demand for sodium chlorate and process chemicals, especially polymers, was strong. Currencies had a negative impact on revenue.

Operative EBITDA increased 1% mainly due to higher sales volumes while variable costs increased and sales prices decreased. **EBITDA** decreased 4% mainly due to a EUR 12.7 million settlement for the damage claim relating to the alleged old infringement of competition law in the hydrogen peroxide business during 1994-2000.

INDUSTRY & WATER

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

EUR million	2017	2016
Revenue	**1,009.1**	906.0
Operative EBITDA	**113.6**	107.2
Operative EBITDA, %	**11.3**	11.8
EBITDA	**102.5**	96.4
EBITDA, %	**10.2**	10.6
Operative EBIT	**65.5**	58.5
Operative EBIT, %	**6.5**	6.5
EBIT	**54.4**	45.4
EBIT, %	**5.4**	5.0
Capital employed*	**596.7**	605.2
Operative ROCE*, %	**11.0**	9.7
ROCE*, %	**9.1**	7.5
Capital expenditure excl. M&A	**51.7**	85.5
Capital expenditure incl. M&A	**51.7**	85.5
Cash flow after investing activities	**46.9**	35.6

*12-month rolling average

Segment's **revenue** increased 11%. Revenue in local currencies, excluding acquisitions and divestments, increased by 12%. Growth was driven by higher sales volumes, while the sales prices remained at prior year level with improving trend during the year. Currency exchange rates had a negative impact on revenue.

Within the segment, revenue of the Oil & Gas business increased 56% to EUR 197.0 million (126.1). In the water treatment business, good sales volume growth continued.

In **EMEA**, revenue increased 1% to EUR 511.1 million (507.5) driven by higher demand for coagulants, whereas the discontinuance of a certain Indian contract impacted polymer deliveries negatively. Sales prices increased for several product lines following higher raw material costs.

In the **Americas**, revenue increased 26% to EUR 472.2 million (376.0) driven by the recovery of the North American oil & gas business, which includes also around EUR 25 million revenue generated with the delivery of equipment. Currencies had a negative impact on revenue. Sales prices were slightly below prior year, however with an improving trend.

In **APAC**, revenue increased 15% to EUR 25.8 million (22.4) due to high demand for polymers used in water treatment. Lower sales prices and currency exchange rates had a negative impact on revenue.

Operative EBITDA increased 6% as higher sales volumes more than offset increased variable costs. **EBITDA** increased 6% as well.

PARENT COMPANY'S FINANCIAL PERFORMANCE

Kemira Oyj's revenue increased to EUR 1,397.2 million (1,364.2) in 2017. EBITDA was EUR 82.1 million (77.0). EBITDA increased, mainly due to an increase in revenue. The parent company's financing income and expenses were EUR 4.6 million (182.2). Financing income and expenses decreased, mainly due to lower dividend distribution from Group companies. Net profit totaled EUR 41.3 million (215.8). Total capital expenditure was EUR 27.1 million (17.7), excluding investments in subsidiaries.

KEMIRA OYJ'S SHARES AND SHAREHOLDERS

On December 31, 2017, Kemira Oyj's share capital amounted to EUR 221.8 million and the number of shares was 155,342,557. Each share entitles to one vote at the Annual General Meeting.

At the end of December, Kemira Oyj had 35,571 registered shareholders (32,622). Non-Finnish shareholders held 25.8% of the shares (25.1%) including nominee-registered holdings. Households owned 17.9% of the shares (16.0%). Kemira held 2,988,935 treasury shares (2,975,327) representing 1.9% (1.9%) of all company shares.

Kemira Oyj's share price decreased 5% since the beginning of the year and closed at EUR 11.50 on the Nasdaq Helsinki at the end of December 2017 (12.13 on December 31, 2016). Shares registered a high of EUR 12.44 and a low of EUR 10.33 in January-December 2017. The average share price was EUR 11.47. The company's market capitalization, excluding treasury shares, was EUR 1,752 million at the end of December 2017 (1,848 on December 31, 2016).

In January-December 2017, Kemira Oyj's share trading turnover on Nasdaq Helsinki was EUR 615 million (January-December 2016: 703). The average daily trading volume was 215,814 (256,233) shares. The total volume of Kemira Oyj's share trading in January-December 2017 was 85 million shares (95), 36% (32%) of which was executed on other trading platforms (BATS, Chi-X, Turquoise). Source: Nasdaq and Kemira.com.

Ownership December 31, 2017

Corporations	40.9%
Financial and insurance corporations	3.5%
General government	7.9%
Households	17.9%
Non-profit institutions	4.0%
Non-Finnish shareholders incl. nominee registered	25.8%

Shareholding by number of shares held December 31, 2017

Number of shares	Number of shareholders	% of shareholders	Shares total	% of shares and votes
1 - 100	8,637	24.3	514,591	0.3
101 - 500	14,959	42.0	4,118,698	2.7
501 - 1,000	5,701	16.0	4,397,344	2.8
1,001 - 5,000	5,271	14.8	11,068,718	7.1
5,001 - 10,000	537	1.5	3,900,966	2.5
10,001 - 50,000	368	1.0	7,203,461	4.7
50,001 - 100,000	31	0.1	2,354,524	1.5
100,001 - 500,000	51	0.1	10,501,334	6.8
500,001 - 1,000,000	6	0.0	3,911,277	2.5
1,000,001 -	10	0.0	107,371,644	69.1
Total	35,571	100.0	155,342,557	100.0

Largest shareholders December 31, 2017

	Shareholder	Number of shares	% of shares and votes
1	Oras Invest Ltd	28,278,217	18.2
2	Solidium Oy	25,896,087	16.7
3	Varma Mutual Pension Insurance Company	5,329,836	3.4
4	Ilmarinen Mutual Pension Insurance Company	3,238,000	2.0
5	Nordea funds	1,434,248	0.9
6	Pohjola Fund Managment	1,403,177	0.9
7	Veritas Pension Insurance Company Ltd.	1,297,637	0.8
8	Etola Erkki Olavi	1,250,000	0.8
9	The State Pension Insurance Company Ltd.	990,000	0.6
10	Laakkonen Mikko Kalervo	600,000	0.4
11	Säästöpankki Funds	561,418	0.4
12	OP-Henkivakuutus Ltd.	536,642	0.4
13	Aktia Funds	470,000	0.3
14	Holding Manutas Oy	400,000	0.3
15	Paasikivi Pekka	395,000	0.3
	Kemira Oyj	2,988,935	1.9
	Nominee registered and foreign shareholders	40,024,574	25.8
	Others, total	40,248,786	25.9
	Total	155,342,557	100.0

AGM DECISIONS

Annual General Meeting

Kemira Oyj's Annual General Meeting held on March 24, 2017 confirmed the dividend of EUR 0.53. The dividend was paid out on April 11, 2017.

The AGM 2017 authorized the Board of Directors to decide on the repurchase of a maximum of 4,800,000 company's own shares ("Share Repurchase Authorization"). The Share Repurchase Authorization is valid until the end of the next Annual General Meeting. The Board has not exercised its authority by December 31, 2017.

The AGM 2017 also authorized the Board of Directors to decide to issue a maximum of 15,600,000 new shares and/or transfer a maximum of 7,800,000 of the company's own shares held by the company ("Share Issue Authorization"). The Share Issue Authorization is valid until May 31, 2018. The share issue authorization has been used in connection with the remuneration of the Board of Directors.

The AGM elected Deloitte Oy to serve as the company's auditor, with Jukka Vattulainen, Authorized Public Accountant, acting as the key audit partner.

CORPORATE GOVERNANCE AND GROUP STRUCTURE

Kemira Oyj's corporate governance is based on the Articles of Association, the Finnish Companies Act, and Nasdaq Helsinki's rules and regulations on listed companies. Furthermore, the company complies with the Finnish Corporate Governance Code. The company's corporate governance is presented as a separate statement on the company's website.

Board of Directors

On March 24, 2017, the Annual General Meeting elected six members to the Board of Directors. The Annual General Meeting re-elected Wolfgang Büchele, Kaisa Hietala, Timo Lappalainen, Jari Paasikivi, and Kerttu Tuomas and elected Shirley Cunningham as a new member of the Board of Directors. Jari Paasikivi was re-elected as the Board's Chairman and Kerttu Tuomas was re-elected as the Vice Chairman. In 2017, Kemira's Board of Directors met 10 times with a 98.4% attendance rate.

Kemira Oyj's Board of Directors has appointed two committees: the Personnel and Remuneration Committee and the Audit Committee. The Personnel and Remuneration Committee is chaired by Jari Paasikivi and has Timo Lappalainen and Kerttu Tuomas as members. In 2017, the Personnel and Remuneration Committee met six times with a 100% attendance rate. The Audit Committee is chaired by Timo Lappalainen and has Kaisa Hietala and Jari Paasikivi as members. In 2017, the Audit Committee met five times with a 100% attendance rate.

Changes to company management in 2017

On January 20, Michael Löffelmann, EVP, Projects & Manufacturing Technology, left Kemira and took a leadership position in another company. Esa-Matti Puputti, EVP Operational Excellence, took the responsibility of Projects & Manufacturing Technology.

On March 9, Kemira announced the merger of the Municipal & Industrial and Oil & Mining segment into one new segment, Industry & Water. Due to the planned organizational changes, Tarjei Johansen, President of

Oil & Mining segment, left Kemira during March. Antti Salminen, President of Municipal & Industrial segment was appointed to lead the new Industry & Water segment.

On September 11, Heidi Fagerholm, Chief Technology Officer (CTO) and member of the Management Board, left Kemira and took a leadership position in another company.

On December 22, Matthew R. Pixton was appointed as Chief Technology Officer (CTO) and member of the Management Board as of January 1, 2018.

Structure

On March 9, Kemira announced that the Municipal & Industrial and Oil & Mining segments will be merged into one new segment Industry & Water as of June 1, 2017. Kemira's new organization consists of two segments: Pulp & Paper and Industry & Water.

There have been no acquisitions or divestments during the year which would have impacted the company's structure.

SHORT-TERM RISKS AND UNCERTAINTIES

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

Venator has commented the situation at Pori site in conjunction with their third quarter results in October 2017: "We are already running at 20% of previous capacity and we intend to restore manufacturing of the balance of these more profitable specialty products as quickly as possible in 2018. The remaining 40% of site capacity is more commoditized and may be reintroduced at a slower pace depending on market conditions, cost and projected long term return."

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

Changes in customer demand

Significant unforeseen decline in the use of certain chemicals (e.g. chemicals for packaging and board production) or in the demand of customers' products could have a negative impact on the Kemira's business. Significant decline in certain raw material and utility prices (e.g. oil, gas, and metal) may shift customers' activities in areas, which can be exploited with fewer chemicals. Also, increased awareness of and concern about climate change and more sustainable products may change customer demands, for instance, in favor of water treatment technologies with lower chemical consumption, and this may have a negative impact, especially on the Industry & Water segment's ability to compete. On the other hand, possible capacity expansions by customers could increase the chemical consumption and even challenge Kemira's current production capacity. Failure by Kemira to be prepared to meet and manage these changed expectations could result in loss of market share.

In order to manage and mitigate this risk, Kemira systematically monitors leading indicators and early warning indicators that focus on market development. Kemira has also continued to focus on the sustainability of its business and is further improving the coordination and cooperation between the Business Development, R&D, and Sales units in order to better understand the future needs and expectations of its customers. Timely capital investments as well as continuous discussions and follow-ups with customers ensure Kemira's ability to respond to possible increases in demand. Kemira's geographic and customer industry diversity also provides partial protection against the risk of changed customer demands.

Changes in laws and regulations

Kemira's business is subject to various laws and regulations, which have relevance in the development and implementation of Kemira's strategy. Although laws and regulations can generally be considered as an opportunity for Kemira, certain legislative initiatives supporting, for instance, the use of biodegradable raw materials or biological water treatment, limiting the use of aluminum or phosphates, or relating to recovery or recycling of phosphorus, may also have a negative impact on Kemira's business. Significant changes, for instance, in chemical, environmental or transportation laws and regulations may impact Kemira's profitability through the increase in production and transportation costs. At the same time, such changes may also create new business opportunities for Kemira.

Inclusion of new substances into the REACH authorization process may also bring further requirements to Kemira, where failure to obtain the relevant authorization could impact Kemira's business. In addition, the changes in import/export and customs-related regulation create needs for monitoring and mastering global trade compliance in order to ensure for instance compliant product importation.

Kemira continuously follows regulatory developments in order to maintain the awareness of proposed and upcoming changes of those laws and regulations which may have an impact, for instance, on its sales, production, and product development needs. Kemira has established an internal process to manage substances of potential concern and to create management plans for them. These plans cover, for example, the possibilities to replace certain substances if those would be subject to stricter regulation. Kemira has also increased the focus and resources in the management of global trade compliance.

Regulatory effects are systematically taken into consideration in strategic decision making. Kemira takes an active role in regulatory discussions whenever justified from the perspective of the industry or business.

Competition

Kemira operates in a rapidly changing and competitive business environment that represents a considerable risk to meeting its goals. New players seeking a foothold in the Kemira's key business segments may use aggressive means as a competitive tool, which could affect Kemira's financial results. Major competitor or customer consolidations could change the market dynamics and possibly also change Kemira's market position.

Kemira is seeking growth in product categories that are less familiar and where new competitive situations prevail. In the long-term, completely new types of technology may considerably change the current competitive situation. This risk is managed both at the Group and the segment levels through continuous monitoring of the competition. The company aims at responding to its competition with the active management of customer relationships and continuous development of its products and services to further differentiate itself from the competitors.

Economic conditions and geopolitical changes

Uncertainties in the global economic and geopolitical development are considered to include direct or indirect risks, such as a lower-growth period in the global GDP and possible unexpected trade-related political decisions, both of which could have unfavorable impacts on the demand for Kemira's products. Certain political actions or changes, especially in countries which are important to Kemira, could cause business interference or other adverse consequences.

Weak economic development may result in customer closures or consolidations, resulting in diminishing customer base. The liquidity of Kemira's customers could become weaker, resulting in increased credit losses for Kemira. Unfavorable market conditions may also increase the availability and price risk of certain raw materials.

Kemira's geographical and customer industry diversity provides only partial protection against these risks. Kemira continuously monitors geopolitical movements and changes, and aims to adjust its business accordingly.

Hazard risks

Kemira's production activities involve many hazard risks, such as fires and explosions, machinery breakdowns, natural catastrophes, exceptional weather conditions, environmental incidents, and the consequent possible resulting liabilities, as well as the employee health and safety risks. These risk events could derive from several factors, including but not limited to unauthorized IT system access by malicious intruder causing possible damage to the systems and consequent financial losses. A systematic focus on achieving set targets, certified management systems, efficient hazard prevention programs, adequate maintenance, and competent personnel play a central role in managing these hazard risks. In addition, Kemira has several insurance programs that protect the company against financial impacts of hazard risks.

Innovation and R&D

Kemira's Research and Development is a critical enabler for organic growth and further differentiation. New product launches contribute to the efficiency and sustainability of Kemira's or its customers' processes, as well as to the improved profitability. Kemira's future market position and profitability depend on its ability to understand and meet current and future customer needs and market trends, and its ability to innovate new differentiated products and applications. Failure to innovate or focus on the new disruptive technologies and products, or to efficiently launch new products or service concepts may result in non-achievement of growth targets.

Innovation and R&D related risks are being managed through the efficient R&D portfolio management in close collaboration between R&D and the two business segments. Kemira has further improved the coordination and cooperation between Business Development, R&D, Sales and Marketing units in order to better understand the future needs and expectations of its customers. With continuous development of innovation processes Kemira aims towards more stringent project execution. Kemira maintains increased focus towards the development of more differentiated and sustainable products and processes and is also continuously monitoring sales of its new products and applications.

Acquisitions

Acquisitions are one potential way to reach corporate goals and strategies, in addition to organic growth. Consolidations are driven by chemical manufacturers' interests in realizing synergies and establishing footholds in new markets.

Kemira’s market position may deteriorate if it is unable to take advantage of future acquisition opportunities. The integration as such of acquired businesses, operations, and personnel also involves risks. If unsuccessful, this may result in a shortage in the set financial targets for such acquisitions.

Kemira has created M&A procedures and established Group level-dedicated resources to actively manage merger and acquisition activities and to support the execution of its business transactions. In addition, external advisory services are being used to screen potential mergers and acquisitions and to help execute transactions and post-merger integration.

Price and availability of raw materials and commodities

Continuous improvement of profitability is a crucial part of the Kemira’s strategy. Significant and sudden increase in the cost of raw material, commodity, or logistics could place Kemira’s profitability targets at risk if Kemira is not be able to pass on such increase to product prices without delay. For instance, remarkable changes in oil and electricity prices could materially impact Kemira’s profitability. Changes in the raw material supplier field, such as consolidation or decreasing capacity, may increase raw material prices. Also, significant demand changes in industries that are the main users of certain raw materials may lead to raw material price fluctuations.

Poor availability of certain raw materials may affect Kemira’s production if Kemira fails to prepare for this by mapping out alternative suppliers or opportunities for process changes. Raw material and commodity risks can be effectively monitored and managed with Kemira's centralized Sourcing Unit. Risk management measures include, for instance, forward-looking forecasting of key raw materials and commodities, synchronization of raw material purchase agreements and sales agreements, captive manufacturing of some of the critical raw materials, strategic investment in energy-generating companies, and hedging a portion of the energy and electricity spend.

Suppliers

The continuity of Kemira’s business operations is dependent on accurate and good-quality supply of products and services. Kemira has currently in place numerous partnerships and other agreements with third-party product and service suppliers to secure its business continuity. Certain products used as raw materials are considered critical as the purchase can be made economically only from a sole or single source. In the event of a sudden and significant loss or interruption in such supply of raw material, Kemira’s operations could be impacted, and this could have further effects on Kemira’s ability to accomplish its profitability targets. Ineffective procurement planning, supply source selection, and contract administration, as well as inadequate supplier relationship management, create a risk of Kemira not being able to fulfill its promises to customers.

Kemira continuously aims to identify, analyze, and engage third-party suppliers in a way that ensures security of supply and competitive pricing of the end products and services. Collaborative relationships with key suppliers are being developed in order to uncover and realize new value and reduce risk. Supplier performance is also regularly monitored as a part of the supplier performance management process.

Talent management

To secure competitiveness and growth, as well as to improve operative efficiency, it is essential to attract and retain personnel with the right skills and competences (e.g. R&D, sales, customer service and marketing competence). Kemira is continuously identifying high potentials and key competencies for future needs. By systematic development and improvement of compensation schemes, learning programs, and career development programs, Kemira aims to ensure the continuity of skilled personnel also in the future.

A detailed account of the Kemira's risk management principles is available on the company's website at www.kemira.com. Financial risks are also described in the Notes to the Financial Statements.

EVENTS AFTER THE REVIEW PERIOD

Proposals of the Nomination Board to the Annual General Meeting 2018

The Nomination Board proposes to the Annual General Meeting of Kemira Oyj that six members be elected to the Board of Directors and that the present members Wolfgang Büchele, Shirley Cunningham, Kaisa Hietala, Timo Lappalainen, Jari Paasikivi and Kerttu Tuomas be re-elected as members of the Board of Directors. In addition, the Nomination Board proposes that Jari Paasikivi be re-elected as the Chairman of the Board of Directors and Kerttu Tuomas be re-elected as the Vice Chairman. All the nominees have given their consent to the position.

The Nomination Board proposes to the Annual General Meeting that the remuneration paid to the members of the Board of Directors will remain unchanged. The remuneration paid to the members of the Board of Directors would thus be as follows. The annual fees: for the Chairman EUR 80,000 per year, for the Vice Chairman and the Chairman of the Audit Committee EUR 49,000 each per year, and for the other members EUR 39,000 per year. A fee payable for each meeting of the Board of Directors and the Board Committees would be for the members residing in Finland EUR 600, for the members residing in rest of Europe EUR 1,200 and for the members residing outside Europe EUR 2,400. Travel expenses are proposed to be paid according to Kemira's travel policy.

In addition, the Nomination Board proposes to the Annual General Meeting that the annual fee be paid as a combination of the company's shares and cash in such a manner that 40% of the annual fee is paid with the company's shares owned by the company or, if this is not possible, shares purchased from the market, and 60% is paid in cash. The shares will be transferred to the members of the Board of Directors and, if necessary, acquired directly on behalf of the members of the Board of Directors within two weeks from the release of Kemira's interim report January 1 - March 31, 2018. The meeting fees are proposed to be paid in cash.

The Nomination Board has consisted of the following representatives: Pekka Paasikivi, Chairman of the Board of Oras Invest Oy as the Chairman of the Nomination Board; Antti Mäkinen, Managing Director of Solidium Oy; Reima Rytsölä, Executive Vice-President, Varma Mutual Pension Insurance Company and Mikko Mursula, Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company as members of the Nomination Board and Jari Paasikivi, Chairman of Kemira's Board of Directors as an expert member.

DIVIDEND AND DIVIDEND POLICY

On December 31, 2017, Kemira Oyj's distributable funds totaled EUR 782,601,045 of which net profit for the period was EUR 41,340,931. No material changes have taken place in the company's financial position after the balance sheet date.

Kemira Oyj's Board of Directors proposes to the Annual General Meeting to be held on March 21, 2018 that a dividend of EUR 0.53 per share totaling EUR 81 million shall be paid on the basis of the adopted balance sheet for the financial year ended December 31, 2017.

Kemira's dividend policy aims to pay a stable and competitive dividend.

OUTLOOK FOR 2018

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

MID- AND LONG-TERM FINANCIAL TARGETS (UNCHANGED)

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

Helsinki, February 7, 2018

Kemira Oyj
Board of Directors

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

SHARES AND SHAREHOLDERS

Shares and share capital

On December 31, 2017 Kemira Oyj's share capital amounted to EUR 221.8 million and the number of shares was 155,342,557. Each share entitles to one vote at the general meeting. Kemira Oyj's shares are registered in the book-entry system maintained by Euroclear Finland Ltd.

Shareholders

At the end of 2017, Kemira Oyj had 35,571 registered shareholders (32,622). Foreign shareholding of Kemira Oyj shares increased 3% during the year and was 25.8% of the shares (25.1%), including nominee-registered holdings. Households owned 17.9% of the shares (16.0%). At year-end, Kemira held 2,988,935 treasury shares (2,975,327), representing 1.9% (1.9%) of all company shares. A list of Kemira's largest shareholders is updated monthly and can be found on the company website at www.kemira.com/investors.

Listing and trading

Kemira Oyj's shares are listed on Nasdaq Helsinki. The trading code for the shares is KEMIRA and the ISIN code is FI0009004824.

Kemira Oyj's share closed at EUR 11.50 at the Nasdaq Helsinki at the end of 2017 (12.13). Shares registered a high of EUR 12.44 (12.55) and a low of EUR 10.33 (8.92). The average share price of Kemira was EUR 11.47 (10.96). The share price decreased 5% during the year while Helsinki Cap index increased 7%. STOXX Chemicals (Europe), chemical sector benchmark index for Kemira increased 12% in 2017 Kemira's market capitalization, excluding treasury shares, was EUR 1,752 million at the end of the year 2017 (1,848).

In 2017, Kemira Oyj's share trading volume on Nasdaq Helsinki was 54 million (65) shares. Share turnover value decreased 12% and was EUR 614.9 million (702.7). The average daily trading volume was 215,814 (256,233) shares.

In addition to Nasdaq Helsinki, Kemira shares are traded on several alternative market places or multilateral trading facilities (MTF), for example at BATS, Chi-X and Turquoise. The total share trading in 2017 was 85 million (95) shares, of which 36% (32%) was executed on other trading facilities than on Nasdaq Helsinki. Source: Kemira.com.

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

Dividend policy and dividend distribution

Kemira's dividend policy aims to pay a stable and competitive dividend.

The company's Board of Directors will propose to the Annual General Meeting that a per-share dividend of EUR 0.53 (0.53) totaling EUR 81 million (81) be paid for the financial year 2017. The Annual General Meeting will be held on March 21, 2018. The dividend ex-date is March 22, 2018, dividend record date March 23, 2018, and payment date April 5, 2018.

In April 2017, a dividend of EUR 0.53 per share was paid for the financial year that ended December 31, 2016. The dividend record date was March 28, 2017, and the payment (EUR 81 million in total) date April 11, 2017.

Board authorizations

The Annual General Meeting on March 24, 2017 authorized the Board of Directors to decide upon repurchase of a maximum of 4,800,000 company's own shares ("Share repurchases authorization"). Shares will be repurchased by using unrestricted equity either through a tender offer with equal terms to all shareholders at a price determined by the Board of Directors or otherwise than in proportion to the existing shareholdings of the company's shareholders in public trading on the Nasdaq Helsinki Ltd (the "Helsinki Stock Exchange") at the market price quoted at the time of the repurchase. The price paid for the shares repurchased through a tender offer under the authorization shall be based on the market price of the company's shares in public trading. The minimum price to be paid would be the lowest market price of the share quoted in public trading during the authorization period and the maximum price the highest market price quoted during the authorization period.

Shares shall be acquired and paid for in accordance with the Rules of the Helsinki Stock Exchange and Euroclear Finland Ltd. Shares may be repurchased to be used in implementing or financing mergers and acquisitions, developing the company's capital structure, improving the liquidity of the company's shares or to be used for the payment of the annual fee payable to the members of the Board of Directors or implementing the company's share-based incentive plans. In order to realize the aforementioned purposes, the shares acquired may be retained, transferred further or cancelled by the company. The Board of Directors will decide upon other terms related to share repurchases. The share repurchase authorization is valid until the end of the next Annual General Meeting. The Board had not exercised its authorization by December 31, 2017.

The AGM authorized the Board of Directors to decide to issue a maximum of 15,600,000 new shares and/or transfer a maximum of 7,800,000 company's own shares held by the company ("Share issue authorization"). The new shares may be issued and the company's own shares held by the company may be transferred either for consideration or without consideration. The new shares may be issued and the company's own shares held by the company may be transferred to the company's shareholders in proportion to their current shareholdings in the company, or by displaying the shareholders' pre-emption right, through a directed share issue, if the company has a weighty financial reason to do so, such as financing or implementing mergers and acquisitions, developing the capital structure of the company, improving the liquidity of the company's shares or if this is justified for the payment of the annual fee payable to the members of the Board of Directors or implementing the company's share-based incentive plans. The directed share issue may be carried out without consideration only in connection with the implementation of the company's share-based incentive plan. The subscription price of new shares shall be recorded to the invested unrestricted equity reserves. The consideration payable for company's own shares shall be recorded to the invested unrestricted equity reserves. The Board of Directors will decide upon other terms related to the share issues. The share issue authorization is valid until May 31, 2018. The share issue authorization has been used in connection with the remuneration of Board of Directors.

Management shareholding

The members of the Board of Directors as well as the President and CEO and his Deputy held 454,215 (458,133) Kemira Oyj shares on December 31, 2017, or 0.29% (0.29%) of all outstanding shares and voting rights (including treasury shares and shares held by the related parties and controlled corporations). Jari Rosendal, President and CEO, held 45,000 shares (40 000) on December 31, 2017. Board members are not covered by the share-based incentive plan. Members of the Management Board, excluding the President and CEO and his Deputy, held a total of 77,641 shares on December 31, 2017 (106,355), representing 0.05% (0.07%) of all outstanding shares and voting rights (including treasury shares and shares held by the related parties and controlled corporations). Up-to-date information regarding the shareholdings of the Board of Directors and Management is available on Kemira's website at www.kemira.com/investors.

GROUP KEY FIGURES

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

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

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

	2017	2016	2015	2014	2013
INCOME STATEMENT AND PROFITABILITY					
Revenue, EUR million	**2,486**	2,363	2,373	2,137	2,229
Operative EBITDA, EUR million	**311**	303	287	253	252
Operative EBITDA, %	**12.5**	12.8	12.1	11.8	11.3
EBITDA, EUR million [1)]	**282**	284	264	253	142
EBITDA, %	**11.4**	12.0	11.1	11.8	6.4
Operative EBIT, EUR million	**170**	170	163	158	164
Operative EBIT, %	**6.9**	7.2	6.9	7.4	7.4
Operating profit (EBIT), EUR million [1)]	**141**	147	133	153	43
Operating profit (EBIT), %	**5.7**	6.2	5.6	7.1	1.9
Share of the results of associates, EUR million [1)]	**0**	0	0	0	-1
Finance costs (net), EUR million	**29**	19	31	31	39
% of revenue	**1.2**	0.8	1.3	1.4	1.7
Interest cover [1)]	**9.8**	14.9	8.6	8.2	3.6
Profit before tax, EUR million	**113**	128	102	122	3
% of revenue	**4.5**	5.4	4.3	5.7	0.1
Net profit for the period (attributable to equity owners of the parent), EUR million	**79**	92	71	90	-32
Return on investment (ROI), % [2)]	**6.5**	7.2	6.6	8.2	1.3
Return of equity (ROE), %	**6.7**	7.8	6.1	7.9	-2.7
Capital employed, EUR million	**1,763**	1,718	1,660	1,428	1,496
Operative return on capital employed (ROCE), %	**9.7**	9.9	9.8	11.1	10.9
Return on capital employed (ROCE), %	**8.0**	8.6	8.0	10.7	2.8
Research and development expenses, EUR million	**30**	32	32	28	32
% of revenue	**1.2**	1.4	1.3	1.3	1.4
CASH FLOW					
Net cash generated from operating activities, EUR million	**205**	271	248	74	200
Proceeds from sale of subsidiaries and property, plant and equipment and intangible assets, EUR million	**3**	37	3	146	193
Capital expenditure, EUR million	**190**	211	305	145	198
% of revenue	**7.6**	8.9	12.9	6.8	8.9
Capital expenditure excl. acquisitions, EUR million	**190**	213	182	146	139
% of revenue	**7.6**	9.0	7.7	6.8	6.2
Cash flow after investing activities, EUR million	**13**	98	-54	75	196
Cash flow return on capital invested (CFROI), %	**9.3**	12.5	12.1	3.9	10.0
BALANCE SHEET AND SOLVENCY					
Non-current assets, EUR million	**1,842**	1,822	1,825	1,613	1,501
Shareholders' equity (Equity attributable to equity owners of the parent), EUR million	**1,159**	1,170	1,180	1,151	1,113
Total equity including non-controlling interests, EUR million	**1,173**	1,183	1,193	1,163	1,126
Total liabilities, EUR million	**1,502**	1,438	1,402	1,132	1,086
Total assets, EUR million	**2,675**	2,621	2,595	2,296	2,211
Net working capital	**211**	195	218	222	198
Interest-bearing net liabilities, EUR million	**694**	634	642	486	456
Equity ratio, %	**44**	45	46	51	51
Gearing, %	**59**	54	54	42	41
Interest-bearing net liabilities per EBITDA	**2.5**	2.2	2.4	1.9	3.2

GROUP KEY FIGURES

	2017	2016	2015	2014	2013
PERSONNEL					
Personnel at period-end	**4,732**	4,818	4,685	4,248	4,453
Personnel (average)	**4,781**	4,802	4,559	4,285	4,632
of whom in Finland	**822**	807	793	823	1,027
EXCHANGE RATES					
Key exchange rates at 31 Dec					
USD	**1.199**	1.054	1.089	1.214	1.379
CAD	**1.504**	1.419	1.512	1.406	1.467
SEK	**9.844**	9.553	9.190	9.393	8.859
CNY	**7.804**	7.320	7.061	7.536	8.349
BRL	**3.973**	3.431	4.312	3.221	3.258
PER SHARE FIGURES					
Earnings per share (EPS), basic and diluted, EUR [3]	**0.52**	0.60	0.47	0.59	-0.21
Net cash generated from operating activities per share, EUR [3]	**1.35**	1.78	1.63	0.49	1.32
Dividend per share, EUR [3] [4]	**0.53**	0.53	0.53	0.53	0.53
Dividend payout ratio, % [3] [4]	**102.7**	88.0	113.5	89.6	-255.0
Dividend yield, % [3] [4]	**4.6**	4.4	4.9	5.4	4.4
Equity per share, EUR [3]	**7.61**	7.68	7.76	7.57	7.32
Price per earnings per share (P/E ratio) [3]	**22.29**	20.14	23.29	16.72	-58.50
Price per equity per share [3]	**1.51**	1.58	1.40	1.31	1.66
Price per cash flow from operations per share [3]	**8.54**	6.83	6.68	20.24	9.23
Dividend paid, EUR million [4]	**80.7**	80.8	80.7	80.6	80.6
SHARE PRICE AND TRADING					
Share price, year high, EUR	**12.44**	12.55	12.27	12.27	13.02
Share price, year low, EUR	**10.33**	8.92	9.14	9.11	10.55
Share price, year average, EUR	**11.47**	10.96	10.86	10.87	11.76
Share price at 31 Dec, EUR	**11.50**	12.13	10.88	9.89	12.16
Number of shares traded (1,000)	**54,169**	64,827	74,877	75,018	64,937
% on number of shares	**36**	42	49	49	42
Market capitalization at 31 Dec, EUR million [3]	**1,752.1**	1,848.2	1,654.4	1,503.8	1,848.8
NUMBER OF SHARES AND SHARE CAPITAL					
Average number of shares, basic (1,000) [3]	**152,359**	152,314	152,059	152,048	152,039
Average number of shares, diluted (1,000) [3]	**152,594**	152,526	152,395	152,203	152,179
Number of shares at 31 Dec, basic (1,000) [3]	**152,354**	152,367	152,062	152,051	152,042
Number of shares at 31 Dec, diluted (1,000) [3]	**152,512**	152,619	152,544	152,373	152,091
Increase (+) / decrease (-) in number of shares outstanding (1,000)	**-14**	305	11	9	1
Share capital, EUR million	**221.8**	221.8	221.8	221.8	221.8

[1] The share of the results of associates is presented after the finance costs, net.

[2] The financial figure for 2013 has been restated. Finance costs relating to a write-down of the associate company of Sachtleben have been decreased by EUR 23 million.

[3] Number of shares outstanding, excluding the number of treasury shares.

[4] The dividend for 2017 is the Board of Directors' proposal to the Annual General Meeting.

DEFINITION OF KEY FIGURES

FINANCIAL FIGURES

OPERATIVE EBITDA	=	Operating profit (EBIT) + depreciation and amortization + impairments +/- items affecting comparability
ITEMS AFFECTING COMPARABILITY [1)]	=	Restructuring and streamlining programs + transaction and integration expenses in acquisitions + divestment of businesses and other disposals + other items
OPERATIVE EBIT	=	Operating profit (EBIT) +/- items affecting comparability
INTEREST-BEARING NET LIABILITIES	=	Interest-bearing liabilities - cash and cash equivalents
EQUITY RATIO (%)	=	$100 \times \frac{\text{Total equity}}{\text{Total assets - prepayments received}}$
GEARING (%)	=	$100 \times \frac{\text{Interest-bearing net liabilities}}{\text{Total equity}}$
INTEREST COVER	=	$\frac{\text{Operating profit + depreciation, amortization and impairments}}{\text{Finance costs, net}}$
RETURN ON INVESTMENTS (ROI) (%)	=	$100 \times \frac{\text{Profit before tax + interest expenses + other financial expenses}}{\text{Total assets - non-interest-bearing liabilities}^{2)}}$
RETURN ON EQUITY (ROE) (%)	=	$100 \times \frac{\text{Net profit attributable to equity owners of the parent}}{\text{Equity attributable to equity owners of the parent}^{2)}}$
CASH FLOW RETURN ON INVESTMENT (CFROI) (%)	=	$100 \times \frac{\text{Net cash generated from operating activities}}{\text{Total assets - interest-free liabilities}^{2)}}$
CASH FLOW AFTER INVESTING ACTIVITIES	=	Net cash generated from operating activities + net cash used in investing activities
OPERATIVE RETURN ON CAPITAL EMPLOYED (OPERATIVE ROCE) (%)	=	$100 \times \frac{\text{Operative EBIT + share of profit or loss of associates}^{3)}}{\text{Capital employed}^{4)}}$
RETURN ON CAPITAL EMPLOYED (ROCE) (%)	=	$100 \times \frac{\text{Operating profit + share of the results of associates}^{3)}}{\text{Capital employed}^{4)}}$
CAPITAL TURNOVER	=	$\frac{\text{Revenue}}{\text{Capital employed}^{4)}}$
INTEREST-BEARING NET LIABILITIES / EBITDA	=	$\frac{\text{Interest-bearing net liabilities}}{\text{Operating profit (EBIT) + depreciation and amortization + impairments}}$
NET FINANCIAL COST (%)	=	$100 \times \frac{\text{Finance costs, net - dividend income - exchange rate differences}}{\text{Interest-bearing net liabilities}^{2)}}$
NET WORKING CAPITAL	=	Inventories + trade receivables + other receivables, excluding derivatives, accrued interest income and other financing items - trade payables - other liabilities, excluding derivatives, accrued interest expenses and other financing items
CAPITAL EMPLOYED	=	Property, plant and equipment + intangible assets + net working capital + investments in associates

[1)] Non-GAAP measures exclude the effects of significant items of income and expenses which may have an impact on the comparability in the financial reporting of Kemira Group. Restructuring and streamlining programs; transaction and integration expenses in acquisition; divestments of businesses and othe disposals are considered the most common items affecting comparability.
[2)] Average
[3)] Operating profit and share of profit or loss of associates taken into account for a rolling 12-month period ending at the end of the review period.
[4)] 12-month rolling average

DEFINITION OF KEY FIGURES

PER SHARE FIGURES

EARNINGS PER SHARE (EPS)	=	$\frac{\text{Net profit attributable to equity owners of the parent}}{\text{Average number of shares}}$
NET CASH GENERATED FROM OPERATING ACTIVITIES PER SHAR	=	$\frac{\text{Net cash generated from operating activities}}{\text{Average number of shares}}$
DIVIDEND PER SHARE	=	$\frac{\text{Dividend paid}}{\text{Number of shares at 31 Dec}}$
DIVIDEND PAYOUT RATIO (%)	=	$100 \times \frac{\text{Dividend per share}}{\text{Earnings per share (EPS)}}$
DIVIDEND YIELD (%)	=	$100 \times \frac{\text{Dividend per share}}{\text{Share price at 31 Dec}}$
EQUITY PER SHARE	=	$\frac{\text{Equity attributable to equity owners of the parent at 31 Dec}}{\text{Number of shares at 31 Dec}}$
SHARE PRICE, YEAR AVERAGE	=	$\frac{\text{Shares traded (EUR)}}{\text{Shares traded (volume)}}$
PRICE PER EARNINGS PER SHARE (P/E)	=	$\frac{\text{Share price at 31 Dec}}{\text{Earnings per share (EPS)}}$
PRICE PER EQUITY PER SHARE	=	$\frac{\text{Share price at 31 Dec}}{\text{Equity per share attributable to equity owners of the parent}}$
PRICE PER NET CASH GENERATED FROM OPERATING ACTIVITIES	=	$\frac{\text{Share price at 31 Dec}}{\text{Net cash generated from operating activities per share}}$
SHARE TURNOVER (%)	=	$100 \times \frac{\text{Number of shares traded in main stock exchange}}{\text{Average number of shares}}$

CONSOLIDATED INCOME STATEMENT

(EUR million)

	Note	Year ended 31 December 2017	2016
Revenue	2.1.	**2,486.0**	2,363.3
Other operating income	2.2.	**6.8**	5.1
Operating expenses	2.2.	**-2,210.4**	-2,084.2
EBITDA		**282.4**	284.2
Depreciation, amortization and impairments	2.4.	**-141.0**	-137.2
Operating profit (EBIT)		**141.4**	147.0
Finance income	2.5.	**4.7**	9.5
Finance expense	2.5.	**-30.4**	-27.5
Exchange differences	2.5.	**-3.2**	-1.1
Finance costs, net	2.5.	**-28.9**	-19.1
Share of the results of associates	6.2.	**0.2**	0.1
Profit before tax		**112.6**	128.0
Income taxes	2.6.	**-27.4**	-30.1
Net profit for the period		**85.2**	97.9
Net profit attributable to			
Equity owners of the parent		**78.6**	91.8
Non-controlling interests	6.2.	**6.6**	6.1
Net profit for the period		**85.2**	97.9
Earnings per share for net profit attributable to the equity owners of the parent company (EUR per share)			
Basic and diluted	2.7.	**0.52**	0.60

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR million)

		Year ended 31 December	
	Note	**2017**	2016
Net profit for the period		**85.2**	97.9
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Available-for-sale financial assets		**24.0**	-31.6
Exchange differences on translating foreign operations		**-46.4**	11.3
Cash flow hedges		**3.4**	8.5
Items that will not be reclassified subsequently to profit or loss			
Remeasurements on defined benefit plans		**9.6**	-10.7
Other comprehensive income for the period, net of tax	2.8.	**-9.4**	-22.5
Total comprehensive income for the period		**75.8**	75.4
Total comprehensive income attributable to			
Equity owners of the parent		**68.7**	69.6
Non-controlling interests	6.2.	**7.2**	5.8
Total comprehensive income for the period		**75.8**	75.4

Items in the Consolidated Statement of Comprehensive Income are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 2.8. Other comprehensive income.

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

CONSOLIDATED BALANCE SHEET

(EUR million)

	Note	As at 31 December 2017	2016
ASSETS			
NON-CURRENT ASSETS			
Goodwill	3.1.	**505.0**	522.4
Other intangible assets	3.2.	**100.5**	115.9
Property, plant and equipment	3.3.	**922.9**	915.6
Investments in associates	6.2.	**0.7**	1.2
Available-for-sale financial assets	3.4.	**235.8**	202.5
Deferred tax assets	4.4.	**24.8**	27.5
Other investments	5.4.	**3.8**	4.4
Receivables of defined benefit plans	4.5.	**48.0**	32.1
Total non-current assets		**1,841.5**	1,821.6
CURRENT ASSETS			
Inventories	4.1.	**223.8**	216.9
Interest-bearing receivables	4.2.	**5.3**	0.2
Trade receivables and other receivables	4.2.	**418.8**	386.1
Current income tax assets		**18.7**	22.7
Cash and cash equivalents	5.4.	**166.1**	173.4
Total current assets		**832.8**	799.3
Non-current assets classified as held-for-sale	6.2.	**0.6**	-
Total assets		**2,674.9**	2,620.9
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to equity owners of the parent			
Share capital		**221.8**	221.8
Share premium		**257.9**	257.9
Fair value and other reserves		**98.7**	72.2
Unrestricted equity reserve		**196.3**	196.3
Translation differences		**-47.7**	-0.8
Treasury shares		**-20.1**	-20.0
Retained earnings		**452.1**	442.6
Equity attributable to equity owners of the parent	5.2.	**1,159.0**	1,170.0
Non-controlling interests	6.2.	**13.8**	12.9
Total equity		**1,172.8**	1,182.9
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	5.3.	**669.1**	649.5
Other liabilities	4.3.	**21.4**	21.4
Deferred tax liabilities	4.4.	**62.4**	63.2
Liabilities of defined benefit plans	4.5.	**82.3**	79.8
Provisions	4.6.	**27.2**	26.5
Total non-current liabilities		**862.5**	840.4
CURRENT LIABILITIES			
Interest-bearing liabilities	5.3.	**191.4**	157.9
Trade payables and other liabilities	4.3.	**422.8**	405.2
Current income tax liabilities		**14.2**	20.3
Provisions	4.6.	**11.3**	14.2
Total current liabilities		**639.7**	597.6
Total liabilities		**1,502.1**	1,438.0
Total equity and liabilities		**2,674.9**	2,620.9

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

CONSOLIDATED STATEMENT OF CASH FLOW

(EUR million)

	Note	Year ended 31 December 2017	2016
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the period		**85.2**	97.9
Adjustments for			
Depreciation, amortization and impairments	2.4.	**141.0**	137.2
Income taxes	2.6.	**27.4**	30.1
Finance costs, net	2.5.	**28.9**	19.1
Share of the results of associates	6.2.	**-0.2**	-0.1
Other non-cash income and expenses not involving cash flow		**6.3**	0.3
Operating profit before change in net working capital		**288.7**	284.5
Change in net working capital			
Increase (-) / decrease (+) in inventories		**-24.5**	-4.6
Increase (-) / decrease (+) in trade and other receivables		**-47.2**	13.3
Increase (+) / decrease (-) in trade payables and other liabilities		**37.8**	20.8
Change in net working capital		**-33.9**	29.5
Cash flow from operations before financing items and taxes		**254.8**	314.0
Interest paid		**-25.8**	-23.3
Interest received		**3.9**	1.2
Other finance items, net		**-4.0**	1.6
Dividends received		**0.9**	0.2
Income taxes paid		**-24.7**	-23.2
Net cash generated from operating activities		**205.1**	270.6
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of subsidiaries and asset acquisitions, net of cash acquired		**0.0**	2.0
Purchases of available-for-sale financial assets		**-3.6**	0.0
Purchases of property, plant and equipment and intangible assets		**-186.4**	-212.6
Change in loan receivables decrease (+) / increase (-)		**-5.1**	0.9
Proceeds from sale of subsidiaries, net of cash disposed		**0.0**	0.0
Proceeds from sale of available-for-sale financial assets		**0.2**	35.4
Proceeds from sale of property, plant, equipment and intangible assets		**2.8**	1.5
Net cash used in investing activities		**-192.2**	-172.8
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from non-current interest-bearing liabilities (+)	5.1.	**100.0**	50.0
Repayment from non-current interest-bearing liabilities (-)	5.1.	**-62.1**	-48.1
Short-term financing, net increase (+) / decrease (-)	5.1.	**36.3**	6.8
Dividends paid		**-86.9**	-86.5
Other finance items		**0.0**	0.0
Net cash used in financing activities		**-12.7**	-77.8
Net decrease (-) / increase (+) in cash and cash equivalents		**0.3**	20.0
Cash and cash equivalents at 31 Dec		**166.1**	173.4
Exchange gains (+) / losses (-) on cash and cash equivalents		**-7.5**	1.9
Cash and cash equivalents at 1 Jan		**173.4**	151.5
Net decrease (-) / increase (+) in cash and cash equivalents		**0.3**	20.0

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR million)

	Equity attributable to owners of the parent									
	Share capital	Share premium	Fair value and other reserves	Unrestricted equity reserve	Exchange differences	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
Equity at January 1, 2016	221.8	257.9	94.2	196.3	-12.4	-22.0	444.5	1,180.3	12.9	1,193.2
Net profit for the period							91.8	91.8	6.1	97.9
Available-for-sale financial assets			-31.6					-31.6		-31.6
Exchange differences on translating foreign operations					11.6			11.6	-0.3	11.3
Cash flow hedges			8.5					8.5		8.5
Remeasurements on defined benefit plans							-10.7	-10.7		-10.7
Total comprehensive income			-23.1		11.6		81.1	69.6	5.8	75.4
Transactions with owners										
Dividends paid							-80.7	-80.7	-5.8	-86.5
Treasury shares issued to the target group of share-based incentive plan						1.9		1.9		1.9
Treasury shares issued to the Board of Directors						0.1		0.1		0.1
Share-based payments							-1.2	-1.2		-1.2
Transfers in equity			1.1				-1.1	0.0		0.0
Transactions with owners			1.1			2.0	-83.0	-79.9	-5.8	-85.7
Equity at December 31, 2016	221.8	257.9	72.2	196.3	-0.8	-20.0	442.6	1,170.0	12.9	1,182.9
Equity at January 1, 2017	**221.8**	**257.9**	**72.2**	**196.3**	**-0.8**	**-20.0**	**442.6**	**1,170.0**	**12.9**	**1,182.9**
Net profit for the period							**78.6**	**78.6**	**6.6**	**85.2**
Available-for-sale financial assets			**24.0**					**24.0**		**24.0**
Exchange differences on translating foreign operations					**-46.9**			**-46.9**	**0.5**	**-46.4**
Cash flow hedges			**3.4**					**3.4**		**3.4**
Remeasurements on defined benefit plans							**9.6**	**9.6**		**9.6**
Total comprehensive income			**27.4**		**-46.9**		**88.2**	**68.7**	**7.2**	**75.8**
Transactions with owners										
Dividends paid							**-80.7**	**-80.7**	**-6.2**	**-86.9**
Treasury shares returned						**-0.2**		**-0.2**		**-0.2**
Treasury shares issued to the Board of Directors						**0.1**		**0.1**		**0.1**
Share-based payments							**1.1**	**1.1**		**1.1**
Transfers in equity			**-0.9**				**0.9**	**0.0**		**0.0**
Transactions with owners			**-0.9**			**-0.1**	**-78.7**	**-79.7**	**-6.2**	**-85.9**
Equity at December 31, 2017	**221.8**	**257.9**	**98.7**	**196.3**	**-47.7**	**-20.1**	**452.1**	**1,159.0**	**13.8**	**1,172.8**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

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

Group profile
Kemira is a global chemicals company serving customers in water-intensive industries. The company provides expertise in application and chemicals that improve efficiency for customers in use of water, energy and raw materials. Kemira's two segments Pulp & Paper and Industry & Water focus on customers in pulp & paper, oil & gas, mining and water treatment respectively.

The Group's parent company is Kemira Oyj, domiciled in Helsinki, Finland, and its registered address is Porkkalankatu 3, FI-00180 Helsinki, Finland. The parent company is listed on Nasdaq Helsinki. A copy of the Consolidated Financial Statements is available at www.kemira.com.

The Board of Directors of Kemira Oyj has approved the Financial Statements for publication at its meeting on February 7, 2018. Under the Finnish Limited Liability Companies Act, the shareholders may accept or reject the Financial Statements at the General Meeting of Shareholders held after their publication. The meeting also has the power to make decision to amend the Financial Statements.

Basis of preparation for the Consolidated Financial Statements

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

The Consolidated Financial Statements are presented in EUR million and have been prepared based on the historical cost excluding the items measured at fair value that are available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, and share-based payments on the grant date.

The preparation of Consolidated Financial Statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas that need a higher degree of judgment, and that are significant to the Consolidated Financial Statements are described below in the section "Critical accounting estimates and judgments".

All the figures in the Consolidated Financial Statements have been individually rounded and consequently the sum of individual figures may deviate slightly from the sum figure presented.

Consolidation principles of subsidiaries and non-controlling interests

The Consolidated Financial Statements include the parent company and its subsidiaries. Subsidiaries are all entities that the Group has control over (voting rights generally being over 50 percent). The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity, and when it has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which the control is transferred to the Group. They are de-consolidated from the date on which this control ceases.

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

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

Net profit or loss for the financial year and other comprehensive income attributable to the equity holders of the parent and non-controlling interests are presented in the income statement and in the statement of comprehensive income. The portion of equity attributable to non-controlling interests is stated as an individual item separately from the equity to the equity holders of the parent. Total comprehensive income shows separately the total amounts attributable to the equity holders of the parent and to non-controlling interests. The Group recognizes negative non-controlling interests, unless non-controlling interest does not have a binding obligation to cover the losses up to the amount of their investment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

Associates

Associated companies are companies over which the Group exercises significant influence (voting rights generally being 20-50 percent), but not control. Holdings in associated companies are consolidated using the equity method. If the Group's share of the 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 the obligations on behalf of the associate. The Group's share of the associated companies' net profit for the financial year is stated as a separate item in the consolidated income statement after operating profit, in proportion to the Group's holdings. The Group's share of the movements of its associates in other comprehensive income is recognized in Group's other comprehensive income.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured by using the currency of the primary economic environment in which the entity operates (the functional currency). The Consolidated Financial Statements are presented in EUR, which is the Group's presentation currency and the parent company's functional currency.

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

Translation differences in the loans granted to some foreign subsidiaries are treated as an increase or decrease in other comprehensive income. When the Group ceases to have control over a subsidiary, the accumulated translation difference is transferred into the income statement as part of gain or loss on the sale.

In their day-to-day accounting, the 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. Non-monetary items are measured using the rates quoted on the transaction date. Any foreign exchange gains and losses related to business operations are treated as adjustments to sales and purchases. Exchange rate differences associated with financing transactions and the hedging of the Group's overall foreign currency position are stated in foreign exchange gains or losses under financial income and expenses.

New, amended IFRS-standards and IFRIC-interpretations

IFRS-standard and IFRIC-interpretation	The nature and effect of the change
Amendments to IAS 7 Disclosure Initiative (effective for annual periods beginning on 1 January 2017)	The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Group's liabilities arising from financing activities consist of interest-bearing liabilities (Note 5.3. Interest-bearing liabilities). A reconciliation between the opening and closing balances of these items is provided in the Note 5.1. Capital structure. Apart from this additional disclosure in the note, the application of these amendments has had no impact on the Consolidated Financial Statements.
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses (effective for annual periods beginning on 1 January 2017)	The amendments clarify how an entity should evaluate whether there will be sufficient taxable profits against which it can utilize a deductible temporary difference. The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(EUR million)

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on 1 January 2018)

As of January 1, 2018, Kemira adopts IFRS 15 Revenue from Contracts with Customers. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the good or service underlying the particular performance obligation is transferred to the customer.

Kemira's revenue mainly consists of contract types that include the sale of chemical products and services provided in relation to the sale of these products. Kemira's revenue recognition remains substantially unchanged and revenue is recognized when the customer obtains control of the goods. In Kemira's sales contracts the change of control to the customer is mainly based on delivery terms and revenue recognition occurs at a point in time, and adopting the IFRS 15 does not change the timing of revenue recognition.

Kemira provides delivery and handling services together with the sale of the chemical products to the customers. The delivery and handling services are recognized at the same time with revenue of products and are not treated as a separate performance obligation in accordance with IFRS 15 standard. Recognition of revenue on both sale of products and delivery and handling services in the same reporting period is consistent with the accounting policy under IAS 18.

Discounts provided to customers are not significant in Kemira's sales contracts. Implementing IFRS 15 does not change the accounting treatment.

Over the course of the widely communicated IFRS 15 project, organization has been informed about the new revenue recognition requirements. Based on the impact assessment IFRS 15 standard has no material impact on Kemira's financial reporting or accounting systems. The project has resulted in enhancements in the revenue recognition related processes and controls.

Kemira's interim reports for the financial year 2018 and annual Consolidated Financial Statements 2018 will be prepared in compliance with IFRS 15 requirements. The Group adopts IFRS 15 using full retrospective method as of January 1, 2018. The comparative periods are not restated as the revenue recognition criteria remains unchanged.

IFRS 9 Financial Instruments (effective for annual periods beginning on 1 January 2018)

As of January 1, 2018, Kemira adopts IFRS 9 Financial Instruments standard. IFRS 9 supersedes IAS 39 Financial Instruments: Recognition and Measurement. IFRS introduced new requirements for the classification and measurement of financial assets and introduces a new impairment model for financial assets, which is based on expected credit losses. Recognition and measurement of financial liabilities will mainly continue to be on the same basis as currently adopted under IAS 39. The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting.

IFRS 9 changes Kemira's current credit loss recognition accounting policies relating to trade receivables. Kemira adopts a simplified credit loss model for trade receivables in which amount of credit losses is estimated by using the impairment model based on expected credit losses. In the new expected credit loss model, the credit losses vary according to ageing categories of trade receivables and geographical areas: EMEA, the Americas and APAC. In addition, the credit loss provision for trade receivables continues to be recognized based on individual risk assessment. In accordance with the new credit loss model, the adjustment of EUR 0.4 million (including deferred tax effect of EUR 0.1 million) will be recognized in the retained earnings as of January 1, 2018, and subsequent adjustments will be recognized in profit or loss. The comparative periods will not be restated.

IFRS 9 impacts to the valuation of loan receivables, as expected credit losses on loan receivables are recognized. Expected credit loss of EUR 1.0 million (including deferred tax effect of EUR 0.3 million) arising from the measurement of loan receivables are recognized in transition into equity in retained earnings as of January 1, 2018. Subsequent adjustments to expected credit losses will be recognized in profit and loss. The comparative periods will not be restated.

As of January 2018, non-listed PVO/TVO shares are classified as fair value through other comprehensive income. Under IAS 39 PVO/TVO shares are classified in available-for-sale financial assets. In IFRS 9 fair value changes, including gains and losses on sale, are recognized in other comprehensive income in equity and the dividends are recognized in profit or loss. The comparative periods will not be restated, except the classification change.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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In the previous financial years, the Group has applied cash flow hedge accounting for electricity derivatives in accordance with IAS 39. IFRS 9 provides an opportunity to apply hedge accounting separately for electricity price components of system price and area price quoted by the Nordic Electricity Exchange.

Under IAS 39 the fair value changes of cash flow hedge accounted electricity derivatives are recognized in other comprehensive income and potential ineffectiveness is recognized in profit or loss. Kemira adopts IFRS 9 hedge accounting for electricity derivatives from January 1, 2018, then effective part of fair value changes related to cash flow hedge accounted electricity derivatives will be recognized in other comprehensive income and ineffectiveness will generally not arise because the components of electricity price risk will be separately hedged. The comparative periods will not be restated.

The total effect on equity from trade receivables and loan receivables is EUR 1.0 million.

Amendment to IFRS 2 Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on 1 January 2018). The amendment have not yet been endorsed for use in the EU.

The amendments to IFRS 2 Share-based Payments clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. Where tax law or regulation requires the employer to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, such an arrangement should be classified as equity-settled in its entirety, if this would have been the classification of the arrangement without the net settlement feature.

The application of the amendments will have an impact on the Group's consolidated financial statements as the Group has a share-based payment arrangement where the Group settles the employee's withholding tax with the tax authorities. Before adoption of the amendment this feature was accounted for as a cash-settled arrangement. At adoption of this amendment, the Group will derecognize the liability related to this arrangement and reclassify the amount to equity.

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019) -standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the current guidance including IAS 17 Leases and the related interpretations when it becomes effective. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinction of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. In addition, IFRS 16 requires extensive disclosures.

On the reporting date December 31, 2017, the Group's operating lease commitments were EUR 197.6 million. The Group continues to assess the existing operating lease agreements to determine the right-of-use assets and lease liabilities to be recognized in the balance sheet on the basis of these agreements. The change in accounting practices relating to lease agreements is estimated to have a material impact on the Groups' financials. Balance sheet and some key figures like gearing, net debt, EBITDA and ROCE will be significantly impacted. IFRS 16 will also impact to the classifications in the income statement and cash flow. Impact assessment will continue together with relevant process, control and tool implementations during 2018. The Group expects to adopt IFRS 16 standard using the modified retrospective method for the existing and new lease agreements on January 1, 2019.The information from the prior years will not be restated and will be disclosed in accordance with the current IAS 17 standard.

IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on 1 January 2019). The interpretation has not yet been endorsed for use in the EU.

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

The Group is currently assessing the impact of the interpretation on the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Critical accounting estimates and judgments

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that carry a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Critical accounting estimates and judgments	Note
Estimated impairment of goodwill	3.1. Goodwill
Estimated fair value of shares in PVO Group	3.4. Available-for-sale financial assets
Deferred taxes	4.4. Deferred tax liabilities and assets
Defined benefit pension plans	4.5. Defined benefit pension plans and employee benefits
Provisions	4.6. Provisions

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

2. FINANCIAL PERFORMANCE

2.1. SEGMENT INFORMATION

In 2017, Kemira merged Municipal & Industrial and Oil & Mining segments into one segment, Industry & Water. Kemira's new organization consists of two segments: Pulp & Paper and Industry & Water.

Pulp & Paper
Pulp & Paper has expertise in applying chemicals and supporting pulp & paper producers in innovating and constantly improving their operational efficiency. The segment develops and sells products to fulfill customer needs, ensuring the leading portfolio of products and services for paper wet-end, focusing on packaging and board, as well as tissue.

Industry & Water
Industry & Water supports municipalities and water intensive industries in the efficient and sustainable utilization of resources. In water treatment, the segments helps in optimizing every stage of the water cycle. In oil and gas industry, the segment helps to boost recovery from existing reserves and reduce water and energy use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

INCOME STATEMENT ITEMS

2017	Pulp & Paper	Industry & Water	Group
Revenue [1]	1,476.9	1,009.1	**2,486.0**
EBITDA [2]	179.9	102.5	**282.4**
Depreciation, amortization and impairments	-92.9	-48.1	**-141.0**
Operating profit (EBIT) [2]	86.9	54.4	**141.4**
Finance costs, net			**-28.9**
Share of the results of associates			**0.2**
Profit before tax			**112.6**
Income taxes			**-27.4**
Net profit for the period			**85.2**

[1] Revenue consists mainly of sales of products to external customers, and there are no intersegment sales.
[2] Includes items affecting comparability.

ITEMS AFFECTING COMPARABILITY IN EBITDA AND EBIT

Operative EBITDA	197.7	113.6	**311.3**
Restructuring and streamlining programs			**-13.1**
Transaction and integration expenses in acquisition			**0.3**
Divestment of businesses and other disposals			**-1.9**
Other items			**-14.4**
Total items affecting comparability	-17.9	-11.0	**-28.9**
EBITDA	179.9	102.5	**282.4**
Operative EBIT	104.8	65.5	**170.3**
Items affecting comparability in EBITDA	-17.9	-11.0	**-28.9**
Items affecting comparability in depreciation, amortization and impairments	0.0	0.0	**0.0**
Operating profit (EBIT)	86.9	54.4	**141.4**

Quarterly information on items affecting comparability is disclosed in the section on Reconciliation of IFRS figures.

BALANCE SHEET ITEMS

Segment assets	1,380.8	769.6	**2,150.3**
Reconciliation to total assets as reported in the Group balance sheet:			
Available-for-sale financial assets			**235.8**
Deferred income tax assets			**24.8**
Other investments			**3.8**
Defined benefit pension receivables			**48.0**
Other assets			**45.4**
Cash and cash equivalents			**166.1**
Non-current assets classified as held-for-sale			**0.6**
Total assets as reported in the Group balance sheet			**2,674.9**
Segment liabilities	223.0	187.8	**410.8**
Reconciliation to total liabilities as reported in the Group balance sheet:			
Interest-bearing non-current financial liabilities			**669.1**
Interest-bearing current financial liabilities			**191.4**
Other liabilities			**230.8**
Total liabilities as reported in the Group balance sheet			**1,502.1**

OTHER ITEMS

Capital employed by segments at 31 Dec	1,157.7	581.8	**1,739.5**
Capital employed by segments, 12-month rolling average	1,165.2	596.7	**1,763.2**
Operative ROCE, %	9.0	11.0	**9.7**
Capital expenditure	138.3	51.7	**190.1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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INCOME STATEMENT ITEMS

2016	Pulp & Paper	Industry & Water	Group
Revenue [1]	1,457.3	906.0	2,363.3
EBITDA [2]	187.8	96.4	284.2
Depreciation, amortization and impairments	-86.2	-51.0	-137.2
Operating profit [2]	101.6	45.4	147.0
Finance costs, net			-19.1
Share of the results of associates			0.1
Profit before tax			128.0
Income taxes			-30.1
Net profit for the period			97.9

[1] Revenue consists mainly of sales of products to external customers, and there are no intersegment sales.
[2] Includes items affecting comparability.

ITEMS AFFECTING COMPARABILITY IN EBITDA AND EBIT

Operative EBITDA	195.3	107.2	302.5
Restructuring and streamlining programs			-5.8
Transaction and integration expenses in acquisition			-5.0
Divestment of businesses and other disposals			0.5
Other items			-8.0
Total items affecting comparability	-7.5	-10.8	-18.3
EBITDA	187.8	96.4	284.2
Operative EBIT	111.6	58.5	170.1
Items affecting comparability in EBITDA	-7.5	-10.8	-18.3
Items affecting comparability in depreciation, amortization and impairments	-2.5	-2.3	-4.8
Operating profit (EBIT)	101.6	45.4	147.0

Quarterly information on items affecting comparability is disclosed in the section on Reconciliation of IFRS figures.

BALANCE SHEET ITEMS

Segment assets	1,364.7	776.6	2,141.3
Reconciliation to total assets as reported in the Group balance sheet:			
Available-for-sale financial assets			202.5
Deferred income tax assets			27.5
Other investments			4.4
Defined benefit pension receivables			32.1
Other assets			39.7
Cash and cash equivalents			173.4
Total assets as reported in the Group balance sheet			2,620.9
Segment liabilities	231.3	160.3	391.6
Reconciliation to total liabilities as reported in the Group balance sheet:			
Interest-bearing non-current financial liabilities			649.5
Interest-bearing current financial liabilities			157.9
Other liabilities			239.0
Total liabilities as reported in the Group balance sheet			1,438.0

OTHER ITEMS

Capital employed by segments at 31 Dec	1,133.4	616.3	1,749.7
Capital employed by segments, 12-month rolling average	1,111.8	605.2	1,717.0
Operative ROCE, %	10.0	9.7	9.9
Capital expenditure	125.1	85.5	210.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

INFORMATION ABOUT GEOGRAPHICAL AREAS

Revenue by geographical area based on customer location	2017	2016
Finland, domicile of the parent company	**354.4**	334.7
Other Europe, Middle East and Africa	**932.9**	904.6
Americas	**979.0**	896.3
Asia Pacific	**219.7**	227.7
Total	**2,486.0**	2,363.3

Non-current assets by geographical area	2017	2016
Finland, domicile of the parent company	**731.0**	660.1
Other Europe, Middle East and Africa	**476.4**	459.4
Americas	**433.3**	504.4
Asia Pacific	**128.0**	138.1
Total	**1,768.7**	1,762.0

Information about major customers
The Group derives revenue from many significant customers. However, 10% or more of the Group's revenue is not derived from any single external customer in 2017 or 2016.

THE GROUP'S ACCOUNTING POLICIES

Segment reporting

Segment information is presented in a manner consistent with the Group’s internal organizational and reporting structure. Kemira management evaluates the segments performance based on operative EBITDA and operating EBIT, among other factors. Assets and liabilities dedicated to a particular segment’s operations are included in that segment’s total assets and liabilities. Segment assets include property, plant and equipment, intangible assets, investments in associates, inventories, and current non-interest-bearing receivables. Segment liabilities include current non-interest-bearing liabilities. Geographically, Kemira’s operations are divided into three business regions: Europe, Middle East and Africa (EMEA), the Americas and Asia Pacific (APAC).

Revenue recognition

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

The revenue from the sale of goods is recognized in the income statement when the major risks and rewards related to the ownership of the goods have been transferred to the buyer. Revenue from services is recognized in the accounting period in which the services are rendered. The construction contraction is recognized in accordance with the stage of completion of contract activity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

2.2. OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME

	2017	2016
Gains on sale of non-current assets	**1.8**	0.9
Rental income	**1.1**	1.2
Services	**3.7**	2.6
Sale of scrap and waste	**0.1**	0.1
Other income from operations	**0.2**	0.3
Total	**6.8**	5.1

OPERATING EXPENSES

	2017	2016
Change in inventories of finished goods (inventory increase + / decrease -)	**-4.5**	3.6
Own work capitalized [1]	**-3.2**	-2.7
Total	**-7.7**	0.9
Materials and services		
Materials and supplies		
Purchases during the financial year	**1,502.1**	1,389.0
Change in inventories of materials and supplies (inventory increase + / decrease -)	**11.5**	6.3
External services	**40.2**	36.7
Total	**1,553.8**	1,432.0
Employee benefit expenses	**364.0**	364.6
Other operating expenses		
Rents	**51.1**	53.6
Other expenses [2]	**249.3**	233.1
Total	**300.4**	286.7
Total operating expenses	**2,210.4**	2,084.2

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

[2] In 2017, other operating expenses include research and development expenses of EUR 30.3 million (32.1) including government grants received. Government grants received for R&D were EUR 0.5 million (0.8). The extent of grants received reduces research and development expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

	Note	2017	2016
EMPLOYEE BENEFIT EXPENSES			
Wages and salaries			
Wages		**279.5**	280.7
Emoluments of Kemira Oyj's CEO and the Board of Directors	6.1.	**1.3**	1.9
Share-based payments	2.3.	**3.5**	2.3
Total		**284.3**	284.9
Indirect employee benefit expenses			
Expenses for defined benefit plans	4.5.	**3.5**	3.6
Pension expenses for defined contribution plans		**20.5**	22.5
Other employee benefit costs		**55.7**	53.6
Total		**79.7**	79.7
Total employee benefit expenses		**364.0**	364.6

NUMBER OF PERSONNEL

		2017	2016
Average number of personnel by geographical area			
Europe, Middle East and Africa		**2,611**	2,609
Americas		**1,532**	1,578
Asia Pacific		**638**	615
Total		**4,781**	4,802
Personnel in Finland, average		**822**	807
Personnel outside Finland, average		**3,959**	3,995
Total		**4,781**	4,802
Number of personnel at 31 Dec		**4,732**	4,818

DELOITTE NETWORK'S FEES AND SERVICES

		2017	2016
Audit fees		**1.7**	1.5
Tax services		**0.2**	0.2
Other services		**0.7**	0.4
Total		**2.6**	2.1

THE GROUP'S ACCOUNTING POLICIES

Government grants

Government grants for investments are recognized as a deduction from the carrying amount of these assets. The grants are recognized in the income statement as smaller depreciations over the asset’s useful life. Government grants for research activities are recognized as a deduction from expenses and certain other grants are recognized in other income from operations.

Developments costs

Development costs are capitalized as intangible assets when it can be shown that a development project will generate probable future economic benefit, and the costs attributable to the development project can reliably be measured. Capitalized development costs are presented as a separate item and amortized over their useful lives. Capitalized development costs include material, labor and testing costs, and any capitalized borrowing costs that are directly attributable to bringing the asset ready for its intended use. Other development costs that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in the subsequent periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

2.3. SHARE-BASED PAYMENTS

LONG-TERM SHARE INCENTIVE PLAN 2015-2017

Kemira's long-term share incentive plan comprises three performance periods: calendar years 2015, 2016, and 2017. The Board of Directors of Kemira will decide on the Plan's performance criteria and on the required performance levels for each criterion at the beginning of each performance period.

The rewards for the performance periods will be paid partly in Kemira's shares and partly in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid if a participant's employment or service ends before the reward payment.

The shares paid as reward may not be transferred during the restriction period, which will end two years after the end of the performance period. Should a participant's employment or service end during the restriction period, as a rule, he or she must gratuitously return the shares given as reward.

	Share incentive plan 2015	**Share incentive plan 2016** [2]	**Share incentive plan 2017**
Performance period (calendar year)	2015	2016	2017
Lock-up period of shares	2 years	2 years	2 years
Issue year of shares	2016	-	2018
Number of shares at December 31, 2017	268.851 [1]	-	- [3]
Number of participants at December 31, 2017	81	-	79
Performance criteria	Group's revenue and operative EBITDA margin	Group's revenue and operative EBITDA margin	Intrinsic value [4]

[1] At the end of the financial year ending 31 December 2017, the commitment period for the earning period 2015 ended and the shares of 268,851 paid on the basis of the share-based incentive scheme will be released in January 2018.
[2] The set objectives were not achieved, therefore the share-based incentives were not paid on the basis of the share-based incentive plan.
[3] In accordance with the terms and conditions of the share-based incentive plan, approximately 150,000 shares will be transferred to the participants during 2018.
[4] The amount of the reward is based on the Intrinsic value which is calculated using Kemira's operative EBITDA and Interest-bearing net liabilities.

The share incentive plan 2018 is unfinished at the balance sheet date on 31 December 2017. The amount of the reward under the new possible share incentive plan will be determined on basis of the set performance levels after the end of the performance period expires.

Changes in the number of shares in the share incentive plans

	Share incentive plan 2015	**Share incentive plan 2016**	**Share incentive plan 2017**
January 1, 2016			
The shares issued to participants	294,445	-	-
The shares returned by participants	-1,873	-	-
December 31, 2016	292,572	-	-
January 1, 2017	292,572	-	-
The shares issued to participants	-	-	-
The shares returned by participants	-23,721	-	-
December 31, 2017	268,851	-	-

The effect of share-based payments on operating profit

	2017	2016
Rewards provided in shares	**1.4**	0.9
Rewards provided in cash	**2.1**	1.4
Total	**3.5**	2.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

THE GROUP'S ACCOUNTING POLICIES

Share-based payments

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

Share-based compensation expense is determined on the grant date based on the Group's estimate of the number of shares that are expected to vest at the end of the vesting period. Based on the vesting conditions, the Group revises its estimates of the number of shares expected to vest based on the balance sheet date. It recognizes the potential impact of the revision on original estimates in the income statement as a personnel expense, with the corresponding adjustment made to equity and liabilities at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

2.4. DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

	2017	2016
Amortization of intangible assets and depreciation of property, plant and equipment		
Other intangible assets [1)]	**26.2**	28.3
Buildings and constructions	**17.5**	16.9
Machinery and equipment	**91.2**	81.7
Other tangible assets	**6.2**	5.5
Total	**141.0**	132.4
Impairments of intangible assets and property, plant and equipment		
Other intangible assets	**0.0**	1.8
Goodwill	**0.0**	0.1
Land	**0.0**	0.4
Buildings and constructions	**0.0**	0.3
Machinery and equipment	**0.0**	2.2
Total	**0.0**	4.8
Total depreciation, amortization and impairments	**141.0**	137.2

[1)] Amortization related to business acquisitions is EUR 16.7 million (19.2) during financial year 2017.

Goodwill impairment tests are disclosed in Note 3.1. Goodwill.

THE GROUP'S ACCOUNTING POLICIES

Depreciation/amortization

Depreciation/amortization is calculated on a straight-line basis over the asset's useful life. Land is not depreciated. The most commonly applied depreciation/amortization periods according to the Group's accounting policies is presented in the following table.

Amortization of property, plant and equipment and intangible assets in the years	
Buildings and constructions	20-40
Machinery and equipment	3-15
Development costs	a maximum of 8 years
Customer relationships	5-7
Technologies	5-10
Non-compete agreements	3-5
Other intangible assets	5-10

Depreciation of an asset begins when it is available for use and it ceases at the moment when the asset is classified under IFRS 5 as held for sale, or is included in the disposal group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

2.5. FINANCE INCOME AND EXPENSES

	2017	2016
Finance income		
Dividend income	**0.8**	0.1
Interest income		
Interest income from loans and receivables	**1.1**	1.7
Interest income from financial assets at fair value through profit or loss	**2.5**	0.4
Other finance income [1)]	**0.3**	7.3
Total	**4.7**	9.5
Finance expense		
Interest expenses		
Interest expenses from other liabilities	**-20.3**	-19.9
Interest expenses from financial assets at fair value through profit or loss	**-6.1**	-3.8
Other finance expenses	**-4.0**	-3.8
Total	**-30.4**	-27.5
Exchange gains and losses		
Exchange gains and losses from financial assets and liabilities at fair value through profit or loss	**9.0**	-1.9
Exchange gains and losses, other	**-12.2**	0.8
Total	**-3.2**	-1.1
Total finance income and expenses	**-28.9**	-19.1
Net finance expenses as a percentage of revenue %	**1.2**	0.8
Net interest as a percentage of revenue %	**1.0**	0.9
Change in Consolidated Statement of Comprehensive Income from hedge accounting instruments		
Cash flow hedge accounting: Amount recognized in the Consolidated Statement of Comprehensive Income	**3.4**	8.5
Total	**3.4**	8.5
Exchange differences		
Realized	**6.3**	0.3
Unrealized	**-9.4**	-1.4
Total	**-3.2**	-1.1

[1)] Year 2017 includes changes in fair values of electricity derivatives EUR 0.2 million (2.2). Year 2016 includes EUR 5 million gain from sale of electricity Production assets (Pohjolan Voima Oy).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

2.6. INCOME TAXES

	2017	2016
Current taxes	**-21.6**	-19.6
Taxes for prior years	**0.1**	-1.8
Change in deferred taxes	**-5.9**	-8.7
Total	**-27.4**	-30.1

RECONCILIATION BETWEEN TAX EXPENSE AND TAX CALCULATED AT DOMESTIC TAX RATE

	2017	2016
Profit before tax	**112.6**	128.0
Tax at parent's tax rate 20%	**-22.5**	-25.6
Foreign subsidiaries' different tax rate	**-2.0**	-3.0
Non-deductible expenses and tax-exempt profits	**-3.2**	-2.9
Share of profit or loss of associates	**0.0**	0.0
Tax losses	**-5.9**	-5.5
Tax for prior years	**0.1**	-1.8
Effect of change in tax rates	**8.4**	-0.2
Tax credit from withholding tax related to prior years	**0.0**	3.1
Changes in deferred taxes related to prior years	**-2.3**	5.8
Others	**0.0**	0.0
Total taxes	**-27.4**	-30.1

The Group has subsidiaries in approximately 40 countries and hence has continuously tax audits on-going of which results have not yet been received. Prior tax audits have not resulted in material adjustments to income taxes. In addition, the Group has a tax dispute pending at the Supreme Administrative Court in Finland related to tax deductibility of certain interest costs. In case of an unfavorable decision, there will be no impact to the Group's financial position. As a result of favorable decision the Group's tax losses carried forward would increase materially.

Subsidiaries have EUR 125.5 million (108.1) tax losses, of which no deferred tax benefits have been recognized. Subsidiaries' tax losses are incurred in different currencies and born mainly in Brazil and China.

According to the US tax reform signed on December 22, 2017, the federal corporate income tax rate reduced from 35% to 21%, which has been taken into account when calculating deferred tax assets and liabilities. The effect of tax rate change in deferred taxes is EUR 8.4 million positive. Deferred tax liabilities arise mainly from temporary differences in depreciations. In addition according to the US tax reform, the undistributed earnings & profits of foreign subsidiaries owned by US legal entities shall be subject to one-time tax (transition tax), which is EUR 2.0 million. This amount is included in "Non-deductible expenses and tax-exempt profits".

THE GROUP'S ACCOUNTING POLICIES

Income taxes

The Group’s tax expense for the period comprises current tax, adjustments prior tax periods and deferred tax. Tax is recognized in the income statement, except where it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

2.7. EARNINGS PER SHARE

	2017	2016
Earnings per share, basic		
Net profit attributable to equity owners of the parent	**78.6**	91.8
Weighted average number of shares [1)]	**152,359,250**	152,314,390
Basic earnings per share, EUR	**0.52**	0.60
Earnings per share, diluted		
Net profit attributable to equity owners of the parent	**78.6**	91.8
Weighted average number of shares [1)]	**152,359,250**	152,314,390
Adjustments for:		
Average number of treasury shares possibly to be issued on the basis of the share-based payments	**234,668**	211,454
Weighted average number of shares for diluted earnings per share	**152,593,919**	152,525,844
Diluted earnings per share, EUR	**0.52**	0.60

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

THE GROUP'S ACCOUNTING POLICIES

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity owners of the parent company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by Kemira Oyj and held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares plus diluted effect of all potential ordinary dilutive shares, such as shares from the share-based payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

2.8. OTHER COMPREHENSIVE INCOME

	2017	2016
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss		
Available-for-sale financial assets	**30.0**	-39.5
Exchange differences on translating foreign operations	**-58.1**	23.4
Cash flow hedges	**4.3**	10.6
Items that will not be reclassified subsequently to profit or loss		
Remeasurements on defined benefit plans	**12.6**	-17.3
Other comprehensive income for the period before taxes	**-11.2**	-22.8
The tax relating to components of other comprehensive income	**1.8**	0.3
Other comprehensive income for the period, net of tax	**-9.4**	-22.5

THE TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2017			2016		
	Before tax	Tax charge (-)/ credit (+)	After tax	Before tax	Tax charge (-)/ credit (+)	After tax
Items that may be reclassified subsequently to profit or loss						
Available-for-sale financial assets	**30.0**	**-6.0**	**24.0**	-39.5	7.9	-31.6
Exchange differences on translating foreign operations	**-58.1**	**11.7**	**-46.4**	23.4	-12.1	11.3
Cash flow hedges	**4.3**	**-0.9**	**3.4**	10.6	-2.1	8.5
Items that will not be reclassified subsequently to profit or loss						
Remeasurements on defined benefit plans	**12.6**	**-3.0**	**9.6**	-17.3	6.6	-10.7
Total other comprehensive income	**-11.2**	**1.8**	**-9.4**	-22.8	0.3	-22.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

3. CAPITAL EXPENDITURES AND ACQUISITIONS

3.1. GOODWILL

	Note	**2017**	2016
Net book value at 1 Jan		**522.4**	518.3
Acquisition of subsidiaries and business acquisitions	3.5.	**0.0**	0.0
Decreases and other changes		**0.0**	-0.1
Exchange differences		**-17.4**	4.2
Net book value at 31 Dec		**505.0**	522.4

GOODWILL IMPAIRMENT TESTING

The Group carries out its annual impairment testing of goodwill on September 30. Impairment testing for goodwill are also carried out when changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of cash-generating units have been determined based on value in use calculations. The key assumptions are long-term growth rate and discount rate. In 2017, impairment testing did not indicate any impairment (2016: no impairment).

Goodwill is allocated to two individual cash-generating units that are the Group's reportable segments. The reportable segment represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The Group’s two reportable segments are Pulp & Paper and Industry & Water. A summary of the net book value and goodwill to the Group’s reportable segments is presented in the following table.

	2017		2016	
	Net book value	**of which goodwill**	Net book value	of which goodwill
Pulp & Paper	**1,158**	**350**	1,086	360
Industry & Water	**581**	**155**	584	162
Total	**1,739**	**505**	1,670	522

KEY ASSUMPTIONS FOR IMPAIRMENT TESTING OF GOODWILL

LONG-TERM GROWTH RATE

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

DISCOUNT RATE

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

%	**2017**	2016
Pulp & Paper	**6.6**	6.5
Industry & Water	**6.6**	- [1]

[1] Comparative information is not available due to Kemira's segment structure has changed in 2017. In 2016, the discount rate of the Municipal & Industrial segment was 6.5% and the discount rate of the Oil & Mining segment was 6.8%. Kemira merged Municipal & Industrial and Oil & Mining segments into one segment, Industry & Water. Kemira's new organization consists of two segments: Pulp & Paper and Industry & Water.

SENSITIVITY ANALYSIS

The sensitivity analyses were made under the assumption that there would be a decline in the growth rate of cash flows during and after the forecast period. A general increase in interest rates has also been taken into consideration as well as a decrease in profitability. A decrease of 10% in the estimated cash flow, or an increase of 2 percentage points in the discount rate, would not result impairment losses to be recorded in either of the reportable segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

THE GROUP'S ACCOUNTING POLICIES

Goodwill
Goodwill arises from business combinations. Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually and whenever there is any indication that an asset may be impaired. For this purpose, goodwill is allocated to cash-generating units.

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

A cash-generating unit has been defined as an operating segment. Operating segments are Pulp & Paper and Industry & Water. Two or more operating segments are not combined into one reportable segment. Goodwill impairment is tested by comparing the reportable segment’s (Pulp & Paper and Industry & Water) recoverable amount with its carrying amount. The Group does not have intangible assets with indefinite useful lives other than goodwill. All goodwill has been allocated to the reportable segments.

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

An impairment loss is recognized, whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. An impairment loss is recognized in the income statement.

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

3.2. OTHER INTANGIBLE ASSETS

2017	**Other intangible assets**	**Prepayments**	**Total**
Acquisition cost at 1 Jan	269.4	4.2	**273.6**
Additions	7.5	6.3	**13.8**
Decreases and other changes	-4.7		**-4.7**
Exchange rate differences	-4.9		**-4.9**
Acquisition cost at 31 Dec	267.3	10.5	**277.8**
Accumulated amortization at 1 Jan	-157.7		**-157.7**
Accumulated amortization relating to decreases and transfers	4.7		**4.7**
Amortization during the financial year	-26.0		**-26.0**
Exchange rate differences	1.8		**1.8**
Accumulated amortization at 31 Dec	-177.2		**-177.2**
Net book value at 31 Dec	**90.0**	**10.5**	**100.5**

2016	Other intangible assets	Prepayments	Total
Acquisition cost at 1 Jan	255.7	12.8	268.5
Additions	22.8	-8.5	14.3
Acquisitions of subsidiaries and business acquisitions	-4.0		-4.0
Decreases and other changes	-6.6	-0.1	-6.7
Exchange rate differences	1.5		1.5
Acquisition cost at 31 Dec	269.4	4.2	273.6
Accumulated amortization at 1 Jan	-133.8		-133.8
Accumulated amortization relating to decreases and transfers	6.8		6.8
Amortization during the financial year	-28.6		-28.6
Impairments	-1.8		-1.8
Exchange rate differences	-0.3		-0.3
Accumulated amortization at 31 Dec	-157.7		-157.7
Net book value at 31 Dec	111.7	4.2	115.9

The Group holds assigned emissions allowances under the EU Emissions Trading System in Sweden. At Group level, the allowances showed a net surplus of 122,464 tons in 2017 (a net surplus of 56,165 tons).

THE GROUP'S ACCOUNTING POLICIES

Other intangible assets

Other intangible assets include for instance software and software licenses as well as patents, technologies, non-compete agreements and customer relationships acquired in business combinations. Intangible assets are measured at cost less accumulated amortization and any impairment losses. The Group has no intangible assets that have an indefinite useful life other than goodwill.

Emissions allowances

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

3.3. PROPERTY, PLANT AND EQUIPMENT

2017	**Land**	**Buildings and constructions**	**Machinery and equipment**	**Other property, plant and equipment**	**Prepayments and non-current assets under construction [1)]**	**Total**
Acquisition cost at 1 Jan	53.1	480.9	1,452.7	61.7	154.4	**2,202.8**
Additions	0.2	40.7	183.2	9.6	-61.0	**172.7**
Decreases and other changes	-0.7	-1.1	-10.5			**-12.3**
Reclassifications		0.2	-0.2			**0.0**
Exchange rate differences	-1.7	-21.6	-73.5	-4.9	-4.0	**-105.6**
Acquisition cost at 31 Dec	51.0	499.0	1,551.7	66.3	89.4	**2,257.5**
Accumulated depreciation at 1 Jan	**-9.9**	**-261.2**	**-985.4**	**-30.7**		**-1,287.2**
Accumulated depreciation related to decreases and transfers		0.7	10.4			**11.1**
Depreciation during the financial year		-17.1	-88.5	-6.0		**-111.5**
Impairments	0.0					**0.0**
Exchange rate differences		9.7	40.7	2.5		**53.0**
Accumulated depreciation at 31 Dec	-9.8	-267.8	-1,022.9	-34.1		**-1,334.7**
Net book value at 31 Dec [2)]	**41.1**	**231.2**	**528.8**	**32.2**	**89.4**	**922.9**

2016	Land	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Prepayments and non-current assets under construction [1)]	Total
Acquisition cost at 1 Jan	54.5	446.3	1,319.2	54.7	127.8	2,002.5
Additions		39.0	130.4	6.5	22.4	198.3
Decreases and other changes	-0.6	-2.2	-0.5	-0.7	-0.7	-4.7
Reclassifications		0.1	4.2	0.4	-4.7	0.0
Exchange rate differences	-0.8	-2.3	-0.6	0.8	9.6	6.7
Acquisition cost at 31 Dec	53.1	480.9	1,452.7	61.7	154.4	2,202.8
Accumulated depreciation at 1 Jan	-9.5	-247.2	-905.5	-25.0		-1,187.2
Accumulated depreciation related to decreases and transfers		1.6	1.2	0.6		3.4
Depreciation during the financial year		-17.1	-83.4	-5.6		-106.1
Impairments	-0.4	-0.3	-2.2			-2.9
Exchange rate differences		1.8	4.5	-0.7		5.6
Accumulated depreciation at 31 Dec	-9.9	-261.2	-985.4	-30.7		-1,287.2
Net book value at 31 Dec [2)]	43.2	219.7	467.3	31.0	154.4	915.6

[1)] Prepayment and non-current assets under construction mainly comprises of plant investments.
[2)] Property, plant and equipment also includes the assets leased under finance leases. These are disclosed in Note 5.3. Interest-bearing liabilities.

THE GROUP'S ACCOUNTING POLICIES

Property, plant and equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

3.4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The shares of Pohjolan Voima Group	Other non-listed shares	Total
Net book value at Jan 1, 2016	270.0	1.6	271.6
Additions	0.0	0.0	0.0
Decreases [1)]	-29.5	-0.1	-29.6
Change in fair value	-39.5	0.0	-39.5
Net book value at Dec 31, 2016	201.0	1.5	202.5
Net book value at Jan 1, 2017	201.0	1.5	**202.5**
Additions	3.3	0.3	**3.6**
Decreases	0.0	-0.3	**-0.3**
Change in fair value	30.0	0.0	**30.0**
Net book value at Dec 31, 2017	**234.3**	**1.5**	**235.8**

The shares of Pohjolan Voima Group

	Class of shares	Holding %	Class of assets	2017	2016
Pohjolan Voima Oy	A	5	hydro power	**68.9**	65.2
Pohjolan Voima Oy	B	2	nuclear power	**40.9**	31.9
Pohjolan Voima Oy [2)]	B2	7	nuclear power	**21.3**	18.0
Teollisuuden Voima Oyj	A	2	nuclear power	**78.8**	61.5
Other Pohjolan Voima Oy and Teollisuuden Voima Oyj	C, C2, G5, G6, M	several	several	**24.4**	24.4
Total				**234.3**	201.0

Kemira Oyj owns 5% of Pohjolan Voima Oy, and 1% of its subsidiary Teollisuuden Voima Oyj.

[1)] In 2016, Kemira sold 43.33% of its holding of class B shares in Pohjolan Voima Oy to Etelä-Suomen Voima Oy. The transaction price was EUR 35 million and recognized capital gain was EUR 5 million.

[2)] The plant supplier (AREVA-Siemens consortium) is building an Olkiluoto 3 (OL 3) nuclear power plant in Finland with fixed-price turnkey contracts. In spring 2005, the plant supplier started construction works with a contractual obligation to start the electricity production in the OL3 nuclear power plant in spring 2009. However, OL 3 has been delayed from its original start-up schedule. According to the information provided by TVO, the regular electricity production of the OL 3 nuclear power plant would take place in May 2019. In addition, in connection with the OL 3 project, an arbitration procedure is in progress between the plant supplier and the owner of the plant, Teollisuuden Voima, regarding the delay in the project and the costs incurred. The start-up of the OL 3 nuclear power plant and the final settlement of the arbitration will affect the value of the B2 series shares.

The fair value of the shares is based on the discounted cash flow resulting from the difference between the market price and the production cost of electricity. The discount rate used to calculate the net present value at the year-end is an annually defined weighted average cost of capital. The short-term discount rate in 2017 was 3.9% (3.7%), and the long-term discount rate was 4.7% (4.4%). A 10% decrease in the electricity market future price would decrease the fair value of shares by approximately EUR 33 million. An increase of 1 percentage point in the discount rate would decrease the fair value by approximately EUR 29 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

THE GROUP'S ACCOUNTING POLICIES

Available-for-sale financial assets

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

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

Kemira Oyj’s holding in PVO Group that entitles to the electricity from completed power plants is measured at fair value based on the discounted cash flow resulting from the difference between the market price of electricity and the cost price. The forward electricity price quotations in Finland area published by the Nordic Electricity Exchange have been used as the market price for electricity of the first five years and after this the development of the prices based on a fundamental simulation model of the Nordic electricity market. The impact of inflation in the coming years is taken into account in the price of electricity and the cost prices. The cost prices are determined by each share series. Future cash flows have been discounted based on the estimated useful lifecycles of the plants related to each share series, and hydro power includes terminal value. The discount rate has been calculated using the annually determined average weighted cost of capital.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimated fair value of shares in PVO Group

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

3.5. BUSINESS COMBINATIONS

KEMIRA FORMS JOINT VENTURE WITH FATTY ACID CHLORIDE PRODUCER IN CHINA

On September 29, 2017 Kemira has signed an agreement to form a joint venture - Kemira TC Wanfeng Chemicals Yanzhou ("NewCo") - with Shandong Tiancheng Wanfeng Chemical Technology ("Tiancheng"). NewCo will strengthen Kemira's position as the global leader in Pulp & Paper industry and supports the growth of water treatment.

NewCo will mainly produce AKD wax and its key raw material fatty acid chloride (FACL). AKD wax, where the main component is based on renewable raw material, is a sizing chemical used in board and paper manufacturing to create resistance to liquid absorption. In addition, NewCo plans to produce polyaluminum chloride (PAC), which is a coagulant used for water treatment.

Kemira owns 80% and Tiancheng 20% of NewCo. The value of the investment for the 80% share is around EUR 55 million.
Conditions for the possible later acquisition of Tiancheng's remaining 20% ownership have been agreed.

The deal is subject to certain closing conditions and is expected to close in the first half of 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

4. WORKING CAPITAL AND OTHER BALANCE SHEET ITEMS

NET WORKING CAPITAL

	Note	2017	2016
Inventories	4.1	**223.8**	216.9
Trade receivables and other receivables	4.2	**418.8**	386.1
Excluding financing items in other receivables [1)]		**-21.4**	-16.8
Trade payables and other liabilities	4.3	**422.8**	405.2
Excluding financing items in other liabilities [1)]		**-12.0**	-13.6
Total		**210.5**	194.6

[1)] Includes interest income and expense, exchange gains and losses and hedging related items.

Quarterly information on net working capital is disclosed in the section on Reconcilation of IFRS figures.

4.1. INVENTORIES

	2017	2016
Materials and supplies	**77.9**	69.0
Finished goods	**130.3**	134.9
Prepayments	**15.5**	13.0
Total	**223.8**	216.9

In 2017, EUR 4.2 million (1.7) of the inventory value was recognized as an expense in order to decrease the book values of inventories to correspond with their net realizable value.

THE GROUP'S ACCOUNTING POLICIES

Inventories

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

4.2. TRADE RECEIVABLES AND OTHER RECEIVABLES

	2017	2016
Trade and other receivables		
Trade receivables	**315.2**	291.1
Prepayments	**4.9**	4.3
Prepaid expenses and accrued income	**49.2**	40.6
Other receivables	**49.5**	50.1
Total	**418.8**	386.1
Interest-bearing receivables		
Loan receivables	**5.3**	0.2
Ageing of outstanding trade receivables		
Undue trade receivables	**266.3**	240.2
Trade receivables 1-90 days overdue	**49.5**	48.1
Trade receivables more than 91 days overdue	**-0.6**	2.8
Total	**315.2**	291.1

In 2017, impairment loss of trade receivables amounted to EUR 0.8 million (2.2).

In 2017, items that are due in a time period longer than one year include prepaid expenses and accrued income of EUR 7.9 million (5.5) and non-interest-bearing receivables of EUR 10.8 million (13.3), prepayments 0.4 million (0.9) and loans receivable 0.2 million (0.1).

THE GROUP'S ACCOUNTING POLICIES

Trade receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost, taking impairment into account.

Loans and receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

4.3. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2017	2016
Trade payables and other liabilities		
Prepayments received	**1.1**	1.2
Trade payables	**187.2**	159.6
Accrued expenses	**203.4**	210.8
Other non-interest-bearing current liabilities	**31.1**	33.6
Total	**422.8**	405.2
Accrued expenses		
Employee benefits	**67.7**	60.5
Items related to revenues and purchases	**96.4**	105.9
Interest	**8.2**	9.1
Exchange rate differences	**0.0**	0.2
Other	**31.2**	35.1
Total	**203.4**	210.8

THE GROUP'S ACCOUNTING POLICIES

Trade payables and other liabilities
Trade payables are initially recognized at fair value and subsequently measured at amortized cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

4.4. DEFERRED TAX LIABILITIES AND ASSETS

	Jan 1, 2017	Recognized in the income statement	Recognized in other comprehensive income	Recognized in equity	Acquired and disposed subsidiaries	Exchange differences and reclassifications	Dec 31, 2017
Deferred tax liabilities							
Depreciations and untaxed reserves	56.8	-11.2				-4.4	**41.3**
Available-for-sale financial assets	16.7		6.0				**22.7**
Defined benefit pensions	7.8	-0.1	3.3				**11.0**
Fair value adjustments of net assets acquired [1]	7.3	-2.4				-0.1	**4.8**
Other	18.7	-2.0	-11.5	0.3		-0.2	**5.2**
Total	**107.3**	**-15.6**	**-2.2**	**0.3**	**0.0**	**-4.7**	**85.1**
Deferred tax assets deducted	-44.1						**-22.7**
Deferred tax liabilities in the balance sheet	**63.2**						**62.4**
Deferred tax assets							
Provisions	16.1	-4.8				2.5	**13.8**
Tax losses	22.8	-6.5				-5.9	**10.4**
Defined benefit pensions	8.1	1.0	1.0			-0.1	**9.9**
Other	24.6	-11.2	-0.6			0.6	**13.4**
Total	**71.6**	**-21.6**	**0.4**	**0.0**	**0.0**	**-2.9**	**47.6**
Deferred tax liabilities deducted	-44.1						**-22.7**
Deferred tax assets in the balance sheet	**27.5**						**24.8**

	Jan 1, 2016	Recognized in the income statement	Recognized in other comprehensive income	Recognized in equity	Acquired and disposed subsidiaries	Exchange differences and reclassifications	Dec 31, 2016
Deferred tax liabilities							
Depreciations and untaxed reserves	59.2		0.0			-2.4	56.8
Available-for-sale financial assets	24.6		-7.9				16.7
Defined benefit pensions	11.3	0.1	-3.5			-0.1	7.8
Fair value adjustments of net assets acquired [1]	9.8	-2.2				-0.3	7.3
Other	12.3	-6.7	11.9	0.2		1.0	18.7
Total	117.2	-8.8	0.5	0.2	0.0	-1.8	107.3
Deferred tax assets deducted	-61.3						-44.1
Deferred tax liabilities in the balance sheet	55.9						63.2
Deferred tax assets							
Provisions	17.7	-2.6				1.0	16.1
Tax losses	32.3	-5.6				-3.9	22.8
Defined benefit pensions	4.7	0.2	2.8			0.4	8.1
Other	36.1	-9.5	-2.3			0.3	24.6
Total	90.8	-17.5	0.5	0.0	0.0	-2.2	71.6
Deferred tax liabilities deducted	-61.3						-44.1
Deferred tax assets in the balance sheet	29.5						27.5

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

As result of the change in tax legislation, the US corporate tax rate reduced from 35% to 21%. Therefore, the relevant deferred tax balances have been remeasured at the new 21% tax rate in the Consolidated Financial statements year ended on December 31, 2017. The change in the US corporate income tax is presented in more detail in Note 2.6. Income taxes.

THE GROUP'S ACCOUNTING POLICIES

Deferred taxes

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Deferred taxes

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

(EUR million)

4.5. DEFINED BENEFIT PENSION PLANS AND EMPLOYEE BENEFITS

The Group has several defined benefit pension plans and other employee benefits obligations. The main defined benefit pension plans are in Finland, Sweden, Germany, UK, Norway and Canada.

FINLAND

The Group's most significant defined benefit plan is in Finland, through the Pension Fund Neliapila, which takes care of part of some employees' supplementary pension benefits. The Pension Fund Neliapila covers employees whose employment with Kemira began before January 1, 1991, meaning that the fund is closed to new employees. The plan is a final average pay pension plan relating to supplementary pension benefits. The obligations of Pension Fund Neliapila are a total of EUR 241.1 million (258.0) and the plan assets are EUR 287.4 million (288.5).

The Pension Fund Neliapila's supplementary benefit is old-age pensions, disability pensions, survivors' pensions and funeral grants. The aggregated pension benefit is 66 percent of the pension salary. To qualify for a full pension, the employee must have accrued a pensionable service of 25 years. The supplementary pension benefits is the difference between aggregated and compulsory pension benefits. At the beginning of 2017, the pension legislation was amended so that the retirement age will increase gradually from 63 years upwards. Under the new rules the Pension Fund Neliapila will compensate for a portion of this increase in the retirement age. This had no material impact on the pension fund's liabilities.

SWEDEN

In Sweden there is a defined benefit pension plan of the ITP 2 plan for white-collar employees. To qualify for a full pension, the employee must have a projected period of pensionable service, from the date of entry until retirement age, of at least 30 years. The pension arrangements comprise normal retirement pension, complementary retirement pensions and survivors' pension. In addition, Kemira must have a credit insurance from PRI Pensionsgaranti Mutual Insurance Company for the ITP 2 plan pension liability. The defined benefit obligations in Sweden is a total of EUR 46.6 million (43.8).

ASSETS AND LIABILITIES OF DEFINED BENEFIT PLANS RECOGNIZED IN THE BALANCE SHEET

	2017	2016
Defined benefit obligations	**343.9**	359.0
Fair value of plan assets	**-310.4**	-311.3
Surplus (-) / Deficit (+)	**33.5**	47.7
The effect of asset ceiling	**0.7**	0.0
Net recognized assets (-) / liabilities (+) in the balance sheet	**34.3**	47.7
Liabilities of defined benefit plans	**82.3**	79.8
Receivables for defined benefit plans	**-48.0**	-32.1
Net recognized receivables (-) / liabilities (+) of defined benefit plans in the balance sheet	**34.3**	47.7

AMOUNTS OF DEFINED BENEFIT PLANS RECOGNISED IN THE COMPREHENSIVE INCOME

	2017	2016
Service costs [1)]	**3.5**	3.6
Net interest cost [2)]	**1.3**	1.0
Components of defined benefit expenses (+) / income (-) recorded in the income statement	**4.8**	4.6

[1)] Finnish pension reform legislation affected the calculation of supplementary benefits for persons under Pension Fund Neliapila. The pension reform legislation change of EUR 0.5 million is recognized in profit or loss as past service cost in the IFRS financial statements for 2016.
[2)] Net interest costs are presented in net finance costs, in the Income Statement.

DEFINED BENEFIT PLANS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	2017	2016
Items resulting from remeasurements on defined benefit pensions [3)]		
Actuarial gains (-) / losses (+) on defined benefit obligation arising from changes in demographic assumptions [4)]	**0.1**	-2.8
Actuarial gains (-) / losses (+) on defined benefit obligation arising from changes in financial assumptions [5)]	**1.2**	36.1
Actuarial gains (-) / losses (+) on defined benefit obligation arising from experience assumptions	**-3.4**	-3.9
Actuarial gains (-) / losses (+) on plan assets [6)]	**-11.2**	-12.1
Adjustments for asset ceiling	**0.7**	0.0
Other comprehensive income for defined benefit plans expenses (+) / income (-)	**-12.6**	17.3

[3)] The remeasurements of defined benefit plans are included in the Statement of Comprehensive Income as part of other comprehensive income. The item has been disclosed net of tax and the related income tax is disclosed in Note 2.8. Other comprehensive income.
[4)] In 2016, the result represents an actuarial gain and is mainly due to the changed mortality table in the ITP 2 plan in Sweden.
[5)] In 2016, the actuarial losses are mainly due to lower discount rates.
[6)] In 2017 and 2016, the actuarial gains are mainly due to income on assets in Pension Fund Neliapila.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

THE MOVEMENT IN THE DEFINED BENEFIT OBLIGATIONS OVER THE PERIOD

	2017	2016
Defined benefit obligation at 1 Jan	**359.0**	337.5
Current service cost	**3.1**	2.8
Interest cost	**5.6**	7.3
Actuarial losses (+) / gains (-) on obligation	**-2.1**	29.4
Exchange differences on foreign plans	**-2.6**	-1.5
Benefits paid	**-19.2**	-19.7
Curtailments and settlements	**0.0**	-0.3
Past service cost	**0.0**	0.5
Other movements	**0.1**	3.0
Defined benefit obligation at 31 Dec	**343.9**	359.0

MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS OVER THE PERIOD IN DEFINED BENEFIT PLANS

Fair value at 1 Jan	**311.3**	309.1
Interest income	**4.3**	6.3
Contributions	**0.7**	0.9
Actuarial losses (-) / gains (+) on plan assets	**11.2**	12.1
Exchange differences on foreign plans	**-1.1**	0.1
Benefits paid	**-15.6**	-16.8
Other movements	**-0.4**	-0.4
Fair value of plan assets at 31 Dec	**310.4**	311.3

ANALYSIS OF PLAN ASSETS BY ASSET CATEGORY IN DEFINED BENEFIT PLANS

Interest rate investments and other assets	**186.9**	189.8
Shares and share funds	**106.7**	104.6
Properties occupied by the Group	**15.5**	15.5
Kemira Oyj's shares	**1.3**	1.4
Total assets	**310.4**	311.3

The Finnish Pension Fund Neliapila, which has most of the defined benefit plan’s assets of EUR 287.4 million (288.5), consists of interest rate investments and other assets of EUR 176.9 million (180.1), shares and share funds of EUR 93.7 million (91.5), properties of EUR 15.5 million (15.5) and Kemira Oyj´s shares of EUR 1.3 million (1.4). In Pension Fund Neliapila, the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to combine long-term investments in line with the obligations under the pension scheme. In Pension Fund Neliapila, a significant investment risk can be considered a market risk. Financial market cyclical fluctuations due to market risk are managed by ensuring that the investment position is sufficiently diversified.

The income (+) / expense (-) of actual return on plan assets of the Group's defined benefit plan was EUR 15.4 million (18.5).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

SIGNIFICANT ACTUARIAL ASSUMPTIONS, %

	2017	2016
Discount rate	**1,3 - 3,3**	1,3 - 3,6
Inflation rate	**1,1 - 2,5**	1,1 - 2,5
Future salary increases	**1,6 - 3,0**	1,7 - 3,0
Future pension increases	**0,4 - 3,0**	1,1 - 3,0

The significant assumptions used in calculating the obligations of the Finnish Pension Fund Neliapila were as follows: discount rate 1.3% (1.3%), inflation rate 1.6% (1.7%), future salary increases 1.6% (1.7%) and future pension increases 1.9% (2.0%).

SENSITIVITY ANALYSES

The sensitivity analysis is based on maintaining other assumptions are stagnant even through one assumption changes. In practice, this is unlikely to occur and changes in some of the assumptions may correlate with each other. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognized within the balance sheet.

If the discount rate would be 0.5 percentage points lower in significant countries, the defined benefit obligation would increase by EUR 23.9 million (7.0%) if all other assumptions were held constant.

PENSION FUND NELIAPILA IN FINLAND

	Defined benefit obligation		Impact on defined benefit obligation	
	2017	2016	**2017**	2016
Discount rate 1.3% (1.3%)	**241.0**	258.0		
Discount rate +0.5%	**227.2**	242.7	**-5.7 %**	-5.9 %
Discount rate -0.5%	**256.5**	275.0	**6.4 %**	6.6 %
Future pension increases 1.9% (2.0%)	**241.0**	258.0		
Future pension increases +0.5%	**254.8**	273.1	**5.7 %**	5.9 %
Future pension increases -0.5%	**228.4**	244.2	**-5.2 %**	-5.3 %

Change in mortality assumption in which an increase in life expectancy by one year will increase the defined benefit obligation by EUR 10.6 million (4.4%).

ITP 2 PENSION PLAN IN SWEDEN

	Defined benefitobligation		Impact on defined benefit obligation	
	2017	2016	**2017**	2016
Discount rate 2.2% (2.5%)	**46.6**	43.8		
Discount rate +0.5%	**43.2**	40.7	**-7.3 %**	-7.1 %
Discount rate -0.5%	**50.4**	47.3	**8.2 %**	8.0 %
Future salary increases 2.5% (2.5%)	**46.6**	43.8		
Future salary increases +0.5%	**47.8**	44.9	**2.4 %**	2.5 %
Future salary increases -0.5%	**45.5**	42.8	**-2.6 %**	-2.2 %

Change in mortality assumption in which an increase in life expectancy by one year will increase the defined benefit obligation by EUR 2.0 million (4.3%).

Expected contributions to the defined benefit plans for the year ended December 31, 2018, are EUR 3.6 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

THE GROUP'S ACCOUNTING POLICIES

Defined benefit pension plans and employee benefits

The Group has post-employment schemes, including both defined contribution and defined benefit pension plans in accordance with the local conditions and practices in the countries in which it operates. Pension plans are generally funded through contributions to insurance companies or a separate pension fund.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as compensation and years of service.

The liability recognized in the balance sheet in respect to the defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have the terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Current service costs are included in the Consolidated Income Statement as the employee benefits expenses and net interest cost on finance income and finance expense. Past-service costs are recognized immediately in income statements.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Defined benefit pension plans

Determining pension liabilities under defined benefit pension plans includes a number of actuarial 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 the discount rate and assumptions of salary increases and the termination of employment contracts. Pension liability is calculated by independent actuaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

4.6. PROVISIONS

	Personnel related provisions	Restructuring provisions	Environmental provisions [1]	Other provisions	Total
Non-current provisions					
At January 1, 2017	0.7	3.5	17.2	5.1	**26.5**
Exchange rate differences			-0.5	-0.7	**-1.1**
Additional provisions and increases in existing provisions		1.6	1.3	3.4	**6.2**
Used during the financial year			-0.3	-0.1	**-0.3**
Unused amounts reversed	-0.3			-0.2	**-0.6**
Reclassification		-3.6		0.1	**-3.5**
At December 31, 2017	**0.3**	**1.6**	**17.7**	**7.6**	**27.2**
Current provisions					
At January 1, 2017	10.0	2.0	2.2	0.0	**14.2**
Exchange rate differences	-0.2				**-0.2**
Additional provisions and increases in existing provisions	9.6	0.2	0.1		**9.8**
Used during the financial year	-12.2	-0.8	-0.5		**-13.5**
Unused amounts reversed	-2.1	-0.2	-0.2		**-2.5**
Reclassification	0.0	3.5			**3.5**
At December 31, 2017	**5.1**	**4.7**	**1.5**	**0.0**	**11.3**

	2017	2016
Analysis of total provisions		
Non-current provisions	**27.2**	26.5
Current provisions	**11.3**	14.2
Total	**38.5**	40.7

[1] The bulk of Kemira's business is in the chemical industry. Our operations are governed by numerous international agreements and regional and national legislation all over the world. The Group treats its environmental liabilities and risks in the consolidated financial statements in accordance with IFRS and observes the established internal environmental principles and procedures. Provisions for environmental remediation totaled EUR 19.2 million (19.4). The biggest provisions relate to site closures and reconditioning of the sediment of a lake in Vaasa, Finland.

THE GROUP'S ACCOUNTING POLICIES

Provisions

Provisions for restructuring costs, personnel related costs, environmental obligations, legal claims, and onerous contracts are recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation, and that a reliable estimate of the amount of this obligation can be made. A restructuring provision is recognized when there is a detailed and appropriate plan prepared for it and the implementation of the plan has begun or has been notified to those whom the restructuring concerns.

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Provisions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

5. CAPITAL STRUCTURE AND FINANCIAL RISKS

5.1. CAPITAL STRUCTURE

	Note	2017	2016
Equity		**1,172.8**	1,182.9
Total assets		**2,674.9**	2,620.9
Gearing [1]		**59%**	54%
Equity ratio [2]		**44%**	45%

[1] The definition of the key figure for Gearing is 100 x Interests-bearing net liabilities / Total equity.
[2] The definition of the key figure for Equity ratio is 100 x Total equity / (Total assets - prepayments received).

INTEREST-BEARING NET LIABILITIES

	Note	2017	2016
Non-current interest-bearing liabilities	5.3.	**669.1**	649.5
Current interest-bearing liabilities	5.3.	**191.4**	157.9
Interest-bearing liabilities		**860.5**	807.4
Cash and cash equivalents	5.4.	**166.1**	173.4
Interest-bearing net liabilities		**694.4**	634.0

Quarterly information on interest-bearing net liabilities is disclosed in the section on Reconcilation of IFRS figures.

INTEREST-BEARING NET LIABILITIES CONNECTED IN CASH FLOW STATEMENTS

	Non-current interest-bearing liabilities including payments of non-current portion	Current interest-bearing liabilities	Cash and cash equivalents	Interest-bearing net liabilities
Net book value at Jan 1, 2016	-708.1	-85.4	151.5	-642.1
Change in net liabilities with cash flows				
Proceeds from non-current liabilities (-)	-50.0			-50.0
Payments of non-current liabilities (+)	48.1			48.1
Proceeds from current liabilities (-) and payments (+)		-6.8		-6.8
Change in cash and cash equivalents			20.0	20.0
Change in net liabilities with non-cash flows				
Effect on change in exchange gains and losses	-3.1	2.4	1.9	1.2
Other changes with non-cash flows	0.4	-4.7		-4.3
Net book value at Dec 31, 2016	-712.8	-94.6	173.4	-634.0
Net book value at Jan 1, 2017	-712.8	-94.6	173.4	**-634.0**
Change in net liabilities with cash flows				
Proceeds from non-current liabilities (-)	-100.0			**-100.0**
Payments of non-current liabilities (+)	62.1			**62.1**
Proceeds from current liabilities (-) and payments (+)		-36.3		**-36.3**
Change in cash and cash equivalents			0.3	**0.3**
Change in net liabilities with non-cash flows				
Effect on change in exchange gains and losses	9.7	6.1	-7.5	**8.3**
Other changes with non-cash flows	0.8	4.5	0.0	**5.3**
Net book value at Dec 31, 2017	**-740.1**	**-120.4**	**166.1**	**-694.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

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

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

The Board of Directors will propose a per-share dividend of EUR 0.53 for 2017 (EUR 0.53), corresponding to a dividend payout ratio of 103% (88%). Kemira's dividend policy aims at paying a stable and competitive dividend.

THE GROUP'S ACCOUNTING POLICIES

Interest-bearing liabilities and cash and cash equivalents

The accounting policies for interest-bearing liabilities and cash and cash equivalents are described in Note 5.4. Financial assets and liabilities by measurement categories.

Dividend distribution

Any dividend proposed by the Board of Directors is not deducted from distributable equity until it has been approved by the shareholders at the Annual General Meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

5.2. SHAREHOLDERS' EQUITY

SHARE CAPITAL AND TREASURY SHARES

	Number of shares outstanding (1,000)	Number of treasury shares (1,000)	Number of shares (1,000)	Net book value of share capital	Net book value of treasury shares
January 1, 2016	152,062	3,280	155,343	221.8	22.1
Treasury shares issued to the participants on long-term share incentive plan 2015	294	-294	-	-	-2.0
Treasury shares issued to the Board of Directors	13	-13	-	-	-0.1
The shares returned by participants in the long-term share incentive plan 2015	-2	2	-	-	0.0
December 31, 2016	152,367	2,975	155,343	221.8	20.0
January 1, 2017	152,367	2,975	155,343	221.8	20.0
Treasury shares issued to the Board of Directors	10	-10	-	-	-0.1
The shares returned by participants in the long-term share incentive plan 2015	-24	24	-	-	0.2
December 31, 2017	**152,354**	**2,989**	**155,343**	**221.8**	**20.1**

Kemira Oyj has one class of shares. Each share entitles its holder to one vote at the Annual General Meeting. On December 31, 2017, the share capital was EUR 221.8 million and the total number of shares issued was 155,342,557 including 2,988,935 treasury shares. Under the Articles of Association of Kemira Oyj, the company does not have a minimum or maximum share capital or a par value for a share. All issued shares have been fully paid.

Kemira had possession of 2,988,935 (2,975,327) of its treasury shares on December 31, 2017. The average share price of treasury shares was EUR 6.73 and they represented 1.9% (1.9%) of the share capital, and the aggregate number of votes conferred by all shares. The aggregate par value of the treasury shares is EUR 4.3 million.

SHARE PREMIUM
The share premium is a reserve accumulated through subscriptions that are entitled by the management stock option program of 2001. This reserve is based on the old Finnish Companies Act (734/1978), which will not change anymore.

FAIR VALUE RESERVES

The fair value reserve is a reserve accumulated based on available-for-sale financial assets (shares) measured at fair value and hedge accounting.

OTHER RESERVES
Other reserves originate from local requirements of subsidiaries. On December 31, 2017, other reserves were EUR 4.0 million (5.0).

UNRESTRICTED EQUITY RESERVE
The unrestricted equity reserve includes other equity type investments and the subscription price of shares to the extent that they will not, based on the specific decision, be recognized in share capital.

EXCHANGE DIFFERENCES

The foreign currency exchange differences arise from the translation of foreign subsidiaries' financial statements. Also, loans have been granted to some foreign subsidiaries, and exchange differences have been included in foreign currency exchange differences.

THE GROUP'S ACCOUNTING POLICIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

5.3. INTEREST-BEARING LIABILITIES

MATURITY OF INTEREST-BEARING LIABILITIES

2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023-**	**Book value total**
Loans from financial institutions	71.0	11.9	205.0	-	-	-	**287.9**
Bonds	-	100.0	-	-	150.0	200.0	**450.0**
Finance lease liabilities	0.0	0.0	-	-	-	-	**0.1**
Other non-current liabilities	-	-	2.3	-	-	-	**2.3**
Other current liabilities	120.4	-	-	-	-	-	**120.4**
Total amortizations of interest-bearing liabilities	**191.4**	**111.9**	**207.3**	**0.0**	**150.0**	**200.0**	**860.5**

2016	2017	2018	2019	2020	2021	2022	Book value total
Loans from financial institutions	63.0	79.4	10.4	207.3	-	-	360.1
Bonds	-	-	200.0	-	-	150.0	350.0
Finance lease liabilities	0.4	0.1	-	-	-	-	0.5
Other non-current liabilities	-	-	-	2.4	-	-	2.4
Other current liabilities	94.5	-	-	-	-	-	94.5
Total amortizations of interest-bearing liabilities	157.9	79.5	210.4	209.7	0.0	150.0	807.4

At year's end 2017, the Group's interest-bearing net liabilities were EUR 694.4 million (634.0). For more information, see Note 5.1. Capital structure.

MATURITY OF NON-CURRENT INTEREST-BEARING LIABILITIES BY CURRENCIES

2017

Currency	**2018**	**2019**	**2020**	**2021**	**2022**	**2023-**	**Book value total**
EUR	10.0	111.6	207.3	-	150.0	200.0	**678.9**
USD	60.7	-	-	-	-	-	**60.7**
Other	0.3	0.2	-	-	-	-	**0.6**
Total	**71.0**	**111.9**	**207.3**	**0.0**	**150.0**	**200.0**	**740.1**

2016

Currency	2017	2018	2019	2020	2021	2022-	Book value total
EUR	19.3	10.0	210.0	209.7	-	150.0	599.0
USD	43.7	69.0	-	-	-	-	112.7
Other	0.4	0.4	0.3	-	-	-	1.1
Total	63.4	79.5	210.4	209.7	-	150.0	712.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

FINANCE LEASE AGREEMENTS

	2017	2016
Acquisition cost - capitalized finance leases	**3.5**	3.5
Accumulated depreciation	**-2.6**	-2.0
Book value at 31 Dec	**1.0**	1.5
Maturity of minimum lease payments		
No later than 1 year	**0.0**	0.4
1-5 years	**0.0**	0.1
Later than 5 years	**-**	0.0
Total minimum lease payments	**0.1**	0.5
Present value of finance lease liabilities		
Total minimum lease payments	**0.1**	0.5
Future finance charges on finance leases	**0.0**	0.0
Total	**0.1**	0.5
Maturity of the present value of finance lease liabilities		
No later than 1 year	**0.0**	0.4
1-5 years	**0.0**	0.1
Later than 5 years	**-**	0.0
Total present value of finance lease liabilities	**0.1**	0.5

The Group leases buildings and constructions, machinery and equipment and other property, plant and equipment under finance lease agreements. Commitments related to other lease agreements than finance leases are disclosed in Note 7.1. Commitments and contingent liabilities.

THE GROUP'S ACCOUNTING POLICIES

Finance lease

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

At the commencement of the lease term, the finance lease assets are recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments. These assets and related rental obligations are presented as part of the Group’s non-current assets and interest-bearing liabilities. In respect to the finance lease agreements, depreciation on the leased assets and interest expenses from the associated liability are shown in the income statement. Rents paid on the basis of operating leases are expensed on a straight-line basis over the lease terms.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

5.4. FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORIES

BOOK VALUES OF FINANCIAL ASSETS

	Note	2017	2016
Financial assets at fair value through profit and loss not qualifying for hedge accounting	5.6.		
Derivatives		**3.9**	2.8
Derivatives qualifying for hedge accounting	5.6.		
Cash flow hedges		**7.0**	3.8
Fair value hedges		**2.7**	3.4
Loans and other receivables			
Other non-current assets		**3.8**	4.4
Current interest-bearing loan receivables		**5.3**	0.2
Trade receivables and other receivables	4.2.	**315.2**	291.1
Cash and cash equivalents			
Cash in hand and at bank accounts		**124.6**	95.1
Deposits and money market investments [1]		**41.6**	78.3
Available-for-sale financial assets	3.4.		
The shares of Pohjolan Voima Group		**234.3**	201.0
Other non-listed shares		**1.5**	1.5
Total financial assets		**739.9**	681.6

BOOK VALUES OF FINANCIAL LIABILITIES

	Note	2017	2016
Financial liabilities at fair value through profit and loss not qualifying for hedge accounting	5.6.		
Derivatives		**3.7**	4.1
Derivatives qualifying for hedge accounting	5.6.		
Cash flow hedges		**1.7**	3.0
Other financial liabilities			
Interest-bearing liabilities	5.3.		
Non-current loans from financial institutions		**215.2**	294.7
Current portion		**71.0**	63.0
Bonds [2]		**451.5**	352.3
Other non-current liabilities		**2.4**	2.4
Current loans from financial institutions		**120.4**	95.0
Non-interest-bearing liabilities			
Other non-current liabilities		**21.4**	21.4
Other current liabilities		**31.0**	33.6
Trade payables	4.3.	**187.2**	159.6
Total financial liabilities		**1,105.5**	1,029.1

[1] Deposit and money market investments comprise bank deposit and other liquid investment with a maximum original maturity of three months.

[2] Includes hedge accounting adjustment of EUR 1.5 million (2.3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

FAIR VALUE OF FINANCIAL ASSETS

	2017				2016			
FAIR VALUE HIERARCHY	**Level 1**	**Level 2**	**Level 3**	**Total net**	Level 1	Level 2	Level 3	Total net
Available-for-sale financial assets	-	-	235.8	**235.8**	-	-	202.5	202.5
Other non-current assets	-	3.8	-	**3.8**	-	4.4	-	4.4
Currency derivatives	-	3.9	-	**3.9**	-	2.8	-	2.8
Currency derivatives, hedge accounting	-	0.8	-	**0.8**	-	-	-	0.0
Interest rate derivatives, hedge accounting	-	2.7	-	**2.7**	-	3.4	-	3.4
Other derivatives, hedge accounting	-	6.2	-	**6.2**	-	3.8	-	3.8
Other receivables	-	5.3	-	**5.3**	-	0.2	-	0.2
Trade receivables	-	315.2	-	**315.2**	-	291.1	-	291.1
Total financial assets	**-**	**337.9**	**235.8**	**573.7**	-	305.7	202.5	508.2

LEVEL 3 SPECIFICATION	**Total net 2017**	Total net 2016
Net book value at 1 Jan	**202.5**	271.6
Effect on the Statement of Comprehensive Income	**30.0**	-39.5
Increases	**3.6**	0.0
Decreases	**-0.3**	-29.6
Net book value at 31 Dec	**235.8**	202.5

FAIR VALUE OF FINANCIAL LIABILITIES

	2017				2016			
FAIR VALUE HIERARCHY	**Level 1**	**Level 2**	**Level 3**	**Total net**	Level 1	Level 2	Level 3	Total net
Non-current interest-bearing liabilities	-	697.2	-	**697.2**	-	673.5	-	673.5
Current portion of non-current interest-bearing liabilities	-	74.8	-	**74.8**	-	65.7	-	65.7
Non-current other liabilities	-	21.4	-	**21.4**	-	21.4	-	21.4
Finance lease liabilities	-	0.1	-	**0.1**	-	0.5	-	0.5
Short-term loans from financial institutions	-	126.8	-	**126.8**	-	98.7	-	98.7
Other current liabilities	-	31.0	-	**31.0**	-	33.6	-	33.6
Currency Derivatives	-	3.7	-	**3.7**	-	4.1	-	4.1
Interest rate derivatives, hedge accounting	-	1.6	-	**1.6**	-	2.2	-	2.2
Other derivatives, hedge accounting	-	0.1	-	**0.1**	-	0.8	-	0.8
Trade payables	-	187.2	-	**187.2**	-	159.6	-	159.6
Total financial liabilities	**-**	**1,143.9**	**-**	**1,143.9**	-	1,060.1	-	1,060.1

There is no transfers between levels 1-3 during the financial year.

THE GROUP'S ACCOUNTING POLICIES

When a financial asset or a financial liability is initially recognized on the trade date, it is measured at cost, which equals the fair value of the consideration given or received.

Financial Assets

The Group's financial assets are classified for subsequent measurement as financial assets at fair value through profit or loss, loans and receivables issued by the Group, and available-for-sale financial assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

Financial assets at fair value through income statements

All derivatives are recognized at fair value in the balance sheet. Fair value is the amount for which an asset could be exchanged or loans paid between knowledgeable, willing parties in an arm's length transaction. These derivative contracts to which hedge accounting in accordance with IAS 39 is not applied are classified as financial assets at fair value through profit or loss. In the balance sheet, these derivative contracts 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.

Financial assets qualifying for hedge accounting

Accounting treatment of change in the fair value of the derivatives qualifying for hedge accounting is presented in Note 5.6. Derivatives.

Loans and receivables

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

Cash and cash equivalents

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

Available for sale financial assets

The accounting policy of Available-for-sale financial assets is described in Note 3.4. Available for sale financial assets.

Impairment of financial assets

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

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

Financial liabilities

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

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

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

The following levels are used to measure the fair values:

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

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

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

(EUR million)

5.5. MANAGEMENT OF FINANCIAL RISKS

Kemira Group Treasury's objective is to ensure sufficient funding in the most cost efficient way, and to manage financial risks. Treasury policy, approved by the Board of Directors, 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, thereby contributing to safeguarding the Company's profit performance and shareholders' equity and to ensure sufficient sources of finance. Management of financial risks is centralized in the Group Treasury, which uses for only hedging purposes derivative instruments for which market values and risks can be monitored continuously and reliably.

FOREIGN EXCHANGE RISK

Foreign currency transaction risk arises from currency flows, assets and liabilities denominated in currencies other than the domestic currency. Transaction risks compromises from cash flows and balance sheet items where changes in exchange rates will have an impact on earnings and cash flows. Translation risk arises when the currency denominated assets and liabilities of group companies located outside the Euro area are consolidated into EUR. Transaction risk is hedged mainly using foreign currency forwards.

The Group's most significant transaction currency risks arise from the Swedish krona, the Canadian dollar and the U.S. dollar. At the end of the year the denominated exchange rate risk of the Swedish krona had an equivalent value of approximately EUR 58 million (57), the average hedging rate being 63% (68%). The Canadian dollar's denominated exchange rate risk had an equivalent value of approximately EUR 36 million (23), the average hedging rate being 63% (64%). The U.S. dollar denominated exchange rate risk was approximately EUR 30 million (42), the average hedging rate being 58% (51%). In addition Kemira is exposed to smaller transaction risks in relation to the Chinese renminbi, the Norwegian krona and Brazilian real with the annual exposure in those currencies being approximately EUR 56 million.

		2017			2016	
Transaction exposure, the most significant currencies	**SEK**	**CAD**	**USD**	SEK	CAD	USD
Operative cash flow forecast [1)]	-57.6	36.2	30.4	-56.6	22.6	41.6
Loans, net	-7.5	2.3	355.7	-2.8	-	408.0
Derivatives, operative cash flow hedging	41.2	-13.7	-18.8	36.1	-15.5	-21.3
Derivatives, hedging of loans, net	8.1	-2.3	-26.6	-	-	1.0
Total	**-15.8**	**22.5**	**340.7**	-23.3	7.1	429.3

[1)] Based on 12-month foreign currency operative cash flow forecast.

At the turn of 2017/2018, the foreign currency operative cash flow forecast for 2018 was EUR 205 million of which 41% was hedged (43%). The hedge ratio is monitored daily. 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 average exchange rates, and without hedging, would increase EBITDA by approximately EUR 1 million.

The most significant translation risk currencies are the U.S. dollar, the Swedish krona, the Canadian Dollar, Chinese Renminbi and the Brazilian real.

Kemira's main equity items denominated in foreign currencies are in the Canadian Dollar, the Swedish krona and U.S. dollar. The objective is to hedge the balance sheet risk by maintaining a balance between foreign currency denominated liabilities and assets, currency by currency. In hedging the net investment in its units abroad, Kemira monitors the equity ratio. Long-term loans and currency derivatives can be used for hedging of net investments in foreign subsidiaries. These hedges do not apply to hedge accounting. To some foreign subsidiaries loans in U.S. dollar have been granted, and currency differences have been included in foreign currency translation differences.

INTEREST RATE RISK

Kemira is exposed to interest rate risk when fixing interest rates of floating rate loans and through fair value changes of bonds and derivatives. In accordance with the treasury policy the Group's interest rate risk is measured with the duration which describes average repricing moment of the loan portfolio. The duration must be in the range of 6-60 months. Kemira Group Treasury manages duration by borrowing with fixed and floating rate loans in addition to the interest rate derivatives.

The duration of the Group's interest-bearing loan portfolio was 33 months at the end of 2017 (26 months). Excluding the interest rate derivatives, the duration was 30 months (22 months). At the end of 2017, 75% of the Group's entire net debt portfolio, including derivatives, was fixed (72%). The net financing cost of the Group was 3.1% (2.2%). 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 U.S. dollar and Chinese renminbi-denominated debt.

(EUR million)

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

2017

Time to interest rate fixing	**<1 year**	**1-5 years**	**> 5 year**	**Total**
Floating net liabilities	174.4	-	-	**174.4**
Fixed net liabilities	25.0	295.0	200.0	**520.0**
Total	**199.4**	**295.0**	**200.0**	**694.4**

2016

Time to interest rate fixing	<1 year	1-5 years	> 5 year	Total
Floating net liabilities	179.2	-	-	179.2
Fixed net liabilities	31.3	273.5	150.0	454.8
Total	210.5	273.5	150.0	634.0

On the balance sheet date, the average interest rate of loan portfolio was approximately 2.0% (2.1%). If interest rates had risen by one percentage point on January 1, 2018, the resulting interest expenses before taxes incurred by the Group over the next 12 months would increase by approximately EUR 1,7 million (0.5). During 2018, Kemira will reprice 28% (19%) of the Group's net debt portfolio, including derivatives.

On the balance sheet date, the Group had outstanding interest rate derivatives related to cash flow hedging with a market value of EUR -1.6 million (-2.2) and fair value hedging with market value of EUR 2.7 million (3.4). All interest rate swaps are used to hedge the Group’s loan portfolio, and are accounted for in accordance with the principles of hedge accounting set out in IAS 39. One percentage point increase in interest rates would positively affect market valuation of interest rate swaps of EUR 0.5 million (0.4) in equity.

ELECTRICITY 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 the raw material costs. In line with its hedging policy, the Group hedges its existing sales agreements in such a way that the hedges cover the commitments made. The company primarily uses electricity forwards on the power exchange as hedging instruments. Currency and regional price risks connected with hedges are hedged by making agreements in Finland, mainly in HELEUR amounts and, in Sweden, mainly in MALSEK amounts. The outstanding electricity derivatives are treated in accordance with cash flow hedge accounting, as discussed above. The forecast for physical deliveries of the underlying asset, or purchases, are not recorded until the delivery period. A +/- 10% change in the market price of electricity hedging contracts would impact the valuation of these contracts EUR +/-5.9 million (+/- 5.5). This impact would be mainly in equity.

CREDIT RISK

Group is exposed to counterparty risk through commercial accounts receivables, as bank account balances, deposits, short-term investments and derivatives.

The Group’s treasury policy defines the credit rating requirements for counterparties of investment activities and derivative agreements as well as the related investment policy. The Group seeks to minimize its counterparty risk by dealing solely with counterparties that are financial institutions with a solid credit rating, as well as by decentralizing agreements among them.

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

The Group Treasury approves the new banking relationships of subsidiaries. At present, financial institution counterparties, used by the Group Treasury, have a credit rating of at least investment grade based on Standard & Poor’s credit rating information. The maximum risk assignable to the Group’s financial institution counterparties on the balance sheet date amounted to EUR 172.2 million (179.6). 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. Kemira has defined an approved limit for each financial institution. Credit risks associated with financing transactions did not result in credit losses during the financial year.

Kemira has a group wide credit policy related to commercial activities. According to the policy each customer has a pre-defined risk category and credit limit. These are constantly monitored. Based on the customer evaluation Kemira decides the applicable payment terms to minimize credit risk. Pre-approved payment terms have been defined on group level. If necessary, also securities and documentary credit, like letters of credit, are applied. The group does not have any significant credit risk concentrations due to its extensive customer base across the world.

In USA, Kemira has an accounts receivable purchase facility worth USD 38 million, enabling Group companies in the USA to sell certain account receivables to the counterparty. The credit risk of the accounts receivables is transferred to the counterparty and 96.9% of the receivables transferred are derecognized from the balance sheet. The amount of outstanding receivables transferred, which also reflects the carrying value of the receivables before the transfer was EUR 28.1 million (30.4) at 31 December 2017. The amounts recognized in the balance sheet at 31 December 2017 due to the continuing involvement are EUR 1.8 million (1.1) in assets and EUR 0.5 million (0.5) in liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

LIQUIDITY AND REFINANCING RISKS

Kemira's liquidity is secured with cash and cash equivalents, account overdrafts and revolving credit facility. At the end of 2017 the Group's cash and cash equivalents stood at EUR 166.1 million (173.4), of which cash on bank accounts accounted for EUR 124.6 million (78.3) and bank deposits EUR 41.6 million (95.1). In addition, the Group has revolving credit facility of EUR 400 million which will mature on August 29, 2020. At the turn of the year 2017/2018, the revolving credit facility was undrawn.

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 2017, there were no commercial papers outstanding on the market.

Kemira manages its refinancing risk with diversified loan portfolio. Long-term financing consist of bonds and bilateral loan agreements with several financial institution.

In accordance with the Group Treasury policy, the average maturity of outstanding loans should always be at least 3 years. In addition the Group must have committed credit facilities to cover planned funding needs, the current portion of long term debt, commercial paper borrowings, and other uncommitted short-term loans in the next 12 months. The average maturity of debt at the end of 2017 was 3.6 years.

Loan structure divided by type and maturity

2017

Loan type	Undrawn	2018	2019	2020	2021	2022	2023-	Total drawn
Loans from financial institutions	-	71.0	11.9	207.3	-	-	-	**290.1**
Bonds	-	-	100.0	-	-	150.0	200.0	**450.0**
Revolving credit facility	400.0	-	-	-	-	-	-	**0.0**
Finance lease liabilities	-	0.0	0.0	-	-	-	-	**0.1**
Commercial paper program	600.0	-	-	-	-	-	-	**0.0**
Other interest-bearing current liabilities	-	120.4	-	-	-	-	-	**120.4**
Total interest-bearing liabilities	**1,000.0**	**191.4**	**111.9**	**207.3**	**0.0**	**150.0**	**200.0**	**860.5**

2016

Loan type	Undrawn	2017	2018	2019	2020	2021	2022-	Total drawn
Loans from financial institutions	-	63.0	79.4	10.2	209.7	-	-	362.3
Bonds	-	-	-	200.0	-	-	150.0	350.0
Revolving credit facility	400.0	-	-	-	-	-	-	0.0
Finance lease liabilities	-	0.4	0.1	-	-	-	-	0.5
Commercial paper program	600.0	-	-	-	-	-	-	0.0
Other interest-bearing current liabilities	-	94.6	-	-	-	-	-	94.6
Total interest-bearing liabilities	1,000.0	158.0	79.5	210.2	209.7	0.0	150.0	807.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

5.6. DERIVATIVE INSTRUMENTS

	Maturity structure						2017	2016
Nominal values	**2018**	**2019**	**2020**	**2021**	**2022**	**2023-**	**Total**	Total
Currency derivatives								
Forward contracts	341.4	-	-	-	-	-	**341.4**	260.9
Inflow	166.8	-	-	-	-	-	**166.8**	118.1
of which cash flow hedges	43.5	-	-	-	-	-	**43.5**	0.0
Outflow	174.7	-	-	-	-	-	**174.7**	142.8
Interest rate derivatives								
Interest rate swaps	25.0	115.0	130.0	-	-	-	**270.0**	304.8
of which cash flow hedges	25.0	15.0	130.0	-	-	-	**170.0**	204.8
of which fair value hedges	-	100.0	-	-	-	-	**100.0**	100.0
Other derivatives								
Electricity contracts, bought (GWh)	862.7	569.3	333.8	96.4	-	-	**1,862.1**	1,971.5
Electricity forward contracts	810.2	508.1	289.9	96.4	-	-	**1,704.5**	1,971.5
of which cash flow hedges	810.2	508.1	289.9	96.4	-	-	**1,704.5**	1,971.5
Electricity future contracts	52.5	61.2	43.9	-	-	-	**157.6**	0.0
of which cash flow hedges	52.5	61.2	43.9	-	-	-	**157.6**	0.0

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

	2017			2016		
Fair values	**Positive**	**Negative**	**Net**	Positive	Negative	Net
Currency derivatives						
Forward contracts	**4.7**	**-3.7**	**1.0**	2.8	-4.1	-1.3
of which cash flow hedges	**0.8**	**-**	**0.8**	-	-	-
Interest rate derivatives						
Interest rate swaps	**2.7**	**-1.6**	**1.1**	3.4	-2.2	1.2
of which cash flow hedges	**-**	**-1.6**	**-1.6**	-	-2.2	-2.2
of which fair value hedges	**2.7**	**-**	**2.7**	3.4	-	3.4
Other derivatives						
Electricity forward contracts, bought	**6.2**	**-**	**6.2**	3.8	-0.8	3.0
of which cash flow hedges	**6.2**	**-**	**6.2**	3.8	-0.8	3.0
Electricity future contracts, bought	**-**	**-0.1**	**-0.1**	-	-	-
of which cash flow hedges	**-**	**-0.1**	**-0.1**	-	-	-

THE GROUP'S ACCOUNTING POLICIES

Derivatives

The fair values of currency, interest rate and commodity derivatives, as well as publicly traded shares are based on prices quoted in active markets on the balance sheet date. The value of other financial instruments measured at fair value is determined on the basis of valuation models using information available in the financial market.

Changes in the value of forward contracts are calculated by measuring the contracts against the forward exchange rates on the balance sheet date and comparing them with the counter values calculated through the forward exchange rates on the date of entry into the forward contracts. The fair value of interest rate derivatives is determined using the market value of similar instruments on the balance sheet date. Other derivatives are measured at the market price on the balance sheet date.

All of the derivatives open on the balance sheet date are measured at their fair values. As a rule, fair value changes from open derivative contracts are recognized through profit or loss in the Consolidated Financial Statements.

Hedge accounting

According to IAS 39, hedge accounting refers to a method of accounting aimed at allocating one or more hedging instruments in such a way that their fair value offsets, in full or in part, the changes in the fair value or cash flows of the hedged item. Hedge accounting is applied to hedging interest rate risk, currency risk, commodity risk and fair value. Part of currency forwards and all interest rate swaps, electricity forwards as well as electricity futures are under hedge accounting treatment.

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

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

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

Cash flow hedging

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

Fair value hedging

Fair value hedges are related to the fixed rate bond loan. Interest rate derivatives are used as instruments in fair value hedging. The fair value of the hedging derivative contracts of change in fair value are recognized in the income statement and the hedged item's book value is adjusted through profit or loss to the extent that the hedge is effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. GROUP STRUCTURE

6.1. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence, or if the parties exercise joint control in making financial and operating decisions. The Group's related parties include the parent company, subsidiaries, associates, joint-ventures and the Pension Fund Neliapila. Related parties also include the members of the Board of Directors and the Group's Management Boards, the CEO and his Deputy, and their immediate family members.

EMPLOYEE BENEFITS OF CEO, DEPUTY CEO AND MEMBERS OF MANAGEMENT BOARD

	Salaries and other benefits, EUR	**Bonuses, EUR**	**Share-based payments, EUR [1]**	**Severance payments, EUR**	**2017 Total, EUR**	2016 Total, EUR
CEO Jari Rosendal	567,000	324,000	-	-	**891,000**	1,494,177
Deputy CEO Jukka Hakkila [2]	181,653	86,502	-	-	**268,155**	479,272
Other members of Management Board [3]	1,595,866	929,188	-	271,544	**2,796,597**	4,998,347
Total	2,344,519	1,339,690	-	271,544	**3,955,752**	6,971,796

[1] Share-based incentive plans for management and key personnel are disclosed in Note 2.3. Share-based payments.

[2] Jukka Hakkila is not a member of the Management Board.

[3] Members of the Management Board who are employed by a Finnish Kemira company do not have any supplementary pension arrangements in addition to the statutory pensions. The members of the Management Board who are employed by a foreign Kemira company participate in the pension systems based on statutory pension arrangements and market practices in their local countries. The Kemira policy is that all new supplementary pension arrangements are defined contribution plans.

EMPLOYMENT TERMS AND CONDITIONS OF CEO

Remuneration of CEO comprises a monthly salary including a car benefit and a mobile phone benefit, and performance-based incentives. The performance-based incentives consist of an annual short-term bonus plan and a long term share incentive plan. The annual short-term bonus plan is based on terms approved by the Board of Directors and the maximum bonus is 70% of the annual salary. The long-term share incentive plan is based on the terms of the plan. The maximum reward is determined as a number of shares and a cash portion intended to cover taxes and the tax-related costs arising from the reward.

CEO Jari Rosendal belongs to the Finnish Employees’ Pension Act (TyEL) scheme, which provides pension security based on the years of service and earnings as stipulated by law. CEO’s retirement age is determined by TyEL. The CEO does not have a separate supplementary pension arrangement.

A mutual termination notice period of six months applies to CEO. CEO is entitled to an additional severance pay of 12 months' salary, in case the company will terminate his service.

THE BOARD OF DIRECTORS' EMOLUMENTS

On March 24, 2017, the Annual General Meeting decided that the annual fee shall be paid as a combination of the company’s shares and cash in such a manner that 40% of the annual fee is paid with the Kemira shares owned by the company or, if this is not possible, then Kemira shares acquired from the securities market, and 60% is paid in cash. In May 2017, the shares owned by the company of 10,113 shares were distributed to the members of the Board of Directors.

There are no special terms or conditions associated with owning these shares received as the annual fee. The members of the Board of Directors are not eligible for any short-term bonus plans, long-term share incentive plans or supplementary pension plans of Kemira Oyj.

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

MEMBERS OF THE BOARD OF DIRECTORS

	Number of shares	**Share value, EUR**	**Cash compensation, EUR [4]**	**2017 Total, EUR**	2016 Total, EUR
Jari Paasikivi, Chairman	2,742	32,164	58,722	**90,885**	91,495
Kerttu Tuomas, Vice Chairman	1,680	19,706	37,378	**57,085**	57,091
Wolfgang Büchele	1,337	15,683	33,866	**49,549**	50,754
Winnie Fok (until March 24, 2017)	-	-	4,800	**4,800**	65,154
Shirley Cunningham (since March 24, 2017)	1,337	15,683	42,266	**57,949**	-
Juha Laaksonen (until March 24, 2017)	-	-	2,400	**2,400**	60,691
Timo Lappalainen	1,680	19,706	39,778	**59,485**	48,354
Kaisa Hietala (since March 21, 2016)	1,337	15,683	32,066	**47,749**	47,154
Total	10,113	118,625	251,276	**369,902**	420,693

[4] Includes the annual fees and the meeting fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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TRANSACTIONS CARRIED OUT WITH RELATED PARTIES

	2017	2016
Revenue		
Associated companies	**1.7**	1.5
Purchases		
Associated companies	**3.3**	3.3
Pension Fund Neliapila	**1.2**	1.2
Total	**4.5**	4.5
Receivables		
Associated companies	**0.2**	0.1
Liabilities		
Associated companies	**0.3**	0.3

The amount of contingent liabilities on behalf of associates are presented in Note 7.1. Commitments and contingent liabilities.

Related parties include Pension Fund Neliapila, which is a separate legal entity. Pension Fund Neliapila manages Kemira Oyj's voluntarily organized additional pension fund. Pension Fund Neliapila manages part of the pension assets of the Group's personnel in Finland. The assets include Kemira shares representing 0.07% of the company's outstanding shares. Supplementary benefit in Pension Fund Neliapila are presented in more detail in Note 4.5. Defined benefit pension plans and employee benefits.

No loans had been granted to the key persons of the management at year-end of 2016 and 2017, nor were there contingency items or commitments on behalf of key management personnel. Persons close to key management personnel with the related parties do not have any significant business relationship with the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EUR million)

6.2. THE GROUP'S SUBSIDIARIES AND INVESTMENT IN ASSOCIATES

SUBSIDIARIES

	City	Country	Kemira Group's holding %	Kemira Oyj's holding %	Non-controlling interest's holding %
Kemira Oyj (parent company)	Helsinki	Finland			
Aliada Quimica de Portugal Lda.	Estarreja	Portugal	50.1		49.9
AS Kemivesi	Tallinn	Estonia	100.0	100.0	
CJSC "Kemira HIM"	St. Petersburg	Russia	100.0		
Corporación Kemira Chemicals de Venezuela, C.A.	Caracas	Venezuela	100.0		
Industry Park i Helsingborg Förvaltning AB	Helsingborg	Sweden	100.0		
Kemifloc a.s.	Přerov	Czech Republic	51.0		49.0
Kemifloc Slovakia S.r.o.	Prešov	Slovakia	51.0		49.0
Kemipol Sp. z o.o.	Police	Poland	51.0		49.0
Kemira (Asia) Co., Ltd.	Shanghai	China	100.0		
Kemira Argentina S.A.	Buenos Aires	Argentina	100.0	15.8	
Kemira Australia Pty Ltd	Hallam	Australia	100.0		
Kemira Cell Sp.z.o.o	Ostroleka	Poland	55.0	55.0	45.0
Kemira Chemicals (Nanjing) Co., Ltd.	Nanjing	China	100.0	100.0	
Kemira Chemicals (Shanghai) Co., Ltd.	Shanghai	China	100.0	100.0	
Kemira Chemicals (UK) Ltd.	Harrogate	United Kingdom	100.0	100.0	
Kemira Chemicals (Yanzhou) Co., Ltd.	Yanzhou City	China	100.0	100.0	
Kemira Chemicals AS	Gamle Fredrikstad	Norway	100.0		
Kemira Chemicals Brasil Ltda	São Paulo	Brazil	100.0	99.9	
Kemira Chemicals Canada Inc.	Maitland	Canada	100.0	100.0	
Kemira Chemicals Germany GmbH	Frankfurt am Main	Germany	100.0		
Kemira Chemicals Korea Corporation	Gunsan-City	Korea	100.0	100.0	
Kemira Chemicals NV	Aartselaar	Belgium	100.0		
Kemira Chemicals Oy	Helsinki	Finland	100.0		
Kemira Chemicals, Inc.	Atlanta, GA	United States	100.0		
Kemira Chemie Ges.mbH	Krems	Austria	100.0	100.0	
Kemira Chile Comercial Limitada	Santiago	Chile	100.0	99.0	
Kemira Chimie S.A.S.U.	Lauterbourg	France	100.0		
Kemira Europe Oy	Helsinki	Finland	100.0	100.0	
Kemira Finance Solutions B.V.	Rotterdam	Netherlands	100.0		
Kemira Gdańsk Sp. z o.o.	Gdansk	Poland	100.0		
Kemira Germany GmbH	Leverkusen	Germany	100.0	100.0	
Kemira GrowHow A/S	Fredericia	Denmark	100.0	100.0	
Kemira Hong Kong Company Limited	Hong Kong	China	100.0	100.0	
Kemira Ibérica S.A.	Barcelona	Spain	100.0		
Kemira International Finance B.V.	Rotterdam	Netherlands	100.0		
Kemira Italy S.p.A.	San Giorgio di Nogaro	Italy	100.0		
Kemira Japan Co., Ltd.	Tokyo	Japan	100.0		
Kemira Kemi AB	Helsingborg	Sweden	100.0		
Kemira Kopparverket KB	Helsingborg	Sweden	100.0		
Kemira KTM d.o.o.	Ljubljana	Slovenia	100.0	100.0	
Kemira Nederland Holding B.V.	Rotterdam	Netherlands	100.0	100.0	
Kemira Operon Oy	Helsinki	Finland	100.0	100.0	
Kemira Rotterdam B.V.	Rotterdam	Netherlands	100.0		
Kemira South Africa (Pty) Ltd.	Weltevredenpark	South Africa	100.0		
Kemira Świecie Sp. z o.o.	Swiecie	Poland	100.0	100.0	
Kemira Taiwan Corporation	Taipei	Taiwan	100.0		
Kemira TC Wanfeng Chemicals (Yanzhou) Co., Ltd.	Yanzhou City	China	80.0		20.0
Kemira (Thailand) Co., Ltd.	Bangkok	Thailand	100.0		
Kemira Uruguay S.A.	Montevideo	Uruguay	100.0		
Kemira (Vietnam) Company Limited	Long Thanh	Vietnam	100.0		
Kemira Water Danmark A/S	Esbjerg	Denmark	100.0	100.0	
Kemira Water Solutions Brasil - Produtos para Tratamento de Água Ltda.	São Paulo	Brazil	100.0	100.0	
Kemira Water Solutions Canada Inc.	Varennes Qs	Canada	100.0		
Kemira Water Solutions, Inc.	Atlanta, GA	United States	100.0		
Kemwater Brasil S.A.	Camaçari	Brazil	100.0		
Kemwater ProChemie s.r.o.	Kosmonosy	Czech Republic	95.1		4.9
PT Kemira Indonesia	Jakarta	Indonesia	100.0	74.8	
PT Kemira Chemicals Indonesia	Pasuruan	Indonesia	99.8	99.8	0.2
Scandinavian Tanking System A/S	Copenhagen	Denmark	100.0		
ZAO Avers	St. Petersburg	Russia	100.0		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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ASSOCIATES

	City	Country	Kemira Group's holding %	Kemira Oyj's holding %
FC Energia Oy [1]	Ikaalinen	Finland	34.0	
FC Power Oy [1]	Ikaalinen	Finland	34.0	
Haapaveden Ympäristöpalvelut Oy	Haapavesi	Finland	40.5	
Honkalahden Teollisuuslaituri Oy	Lappeenranta	Finland	50.0	

Investments in associates

	2017	2016
Net book value at 1 Jan	**1.2**	1.2
Dividends received	**-0.1**	-0.1
Share of the results of associates	**0.2**	0.1
Transferred to non-current assets classified as held-for-sale [1]	**-0.6**	-
Net book value at 31 Dec	**0.7**	1.2

[1] The shares of FC Energia Oy and FC Power Oy were transferred to non-current assets classified as held-for-sale. Kemira Chemicals Oy and Leppäkosken Sähkö Oy signed a contract on January 10, 2018 with Adven Oy for the sale of the shares for FC Energia Oy and FC Power Oy. The deal is conditional and will be realized on a later date. FC Energia Oy and FC Power Oy are energy production companies that have been co-owned by Kemira (34% of shares) and Leppäkosken Sähkö (66% of shares).

Summary of the associates financial information is presented in the following table. The figures also include FC Energia Oy and FC Power Oy transferred to assets classified as held-for-sale. The presented figures equal the figures in the financial statements of the each associate, not the portion of Kemira Group.

	2017	**2016**
Assets	**18.1**	19.3
Liabilities	**15.6**	17.4
Revenue	**6.7**	6.6
Profit (+) / loss (-) for the period	**0.5**	0.2

Related party transactions carried out with associates are disclosed in Note 6.1. Related parties.

NON-CONTROLLING INTERESTS

	2017	**2016**
Net book value at 1 Jan	**12.9**	12.9
Dividends	**-6.2**	-5.8
Share of the profit for the period	**6.6**	6.1
Exchange rate differences	**0.5**	-0.3
Net book value at 31 Dec	**13.8**	12.9

CHANGES IN THE GROUP STRUCTURE

New subsidiaries established

- Kemira established a new company Kemira (Vietnam) Company Limited in Vietnam on November 27, 2017.
- Kemira established a new company Kemira TC Wanfeng Chemicals (Yanzhou) Co., Ltd. In China on December 4, 2017.

Changes in the holdings of group companies within the Group

- Kemira Chemicals Spain, S.A. merged with and into Kemira Ibérica S.A. on January 1, 2017.
- Kemira France SAS merged with and into Kemira Chimie S.A.S.U. on January 1, 2017.
- Kemira Ibérica Sales and Marketing S.L. merged with and into Kemira Ibérica S.A. on January 1, 2017.

THE GROUP'S ACCOUNTING POLICIES

Non-current assets held for sale

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. OFF-BALANCE SHEET ITEMS

7.1. COMMITMENTS AND CONTINGENT LIABILITIES

COMMITMENTS

	2017	2016
Assets pledged		
On behalf of own commitments	**5.7**	5.9
Guarantees		
On behalf of own commitments	**50.2**	54.4
On behalf of others	**3.9**	3.1
Operating lease commitments - the Group as lessee		
Minimum lease payments under operating leases are as follows:		
No later than 1 year	**32.2**	39.7
Later than 1 year and no later than 5 years	**84.5**	88.7
Later than 5 years	**80.9**	82.8
Total	**197.6**	211.2
Other obligations		
On behalf of own commitments	**1.0**	1.1
On behalf of associates	**0.2**	0.4

THE MOST SIGNIFICANT OFF-BALANCE SHEET INVESTMENTS COMMITMENTS

On December 31, 2017, major amounts of contractual commitments for the acquisition of property, plant and equipment were about EUR 18.7 million (48.4) for plant investments.

LITIGATION

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

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

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

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

THE GROUP'S ACCOUNTING POLICIES

Contingent liabilities

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

7.2. EVENTS AFTER THE BALANCE SHEET DATE

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

KEMIRA OYJ INCOME STATEMENT (FAS)

(EUR)

		Year ended 31 December	
	Note	**2017**	2016
Revenue	2	**1,397,201,212.74**	1,364,211,556.79
Change in inventories of finished goods	4	**-568,022.30**	2,755,294.03
Other operating income	3	**7,753,556.30**	2,273,459.05
Materials and services	4	**-898,030,399.57**	-851,640,194.15
Personnel expenses	5	**-45,083,052.80**	-47,003,676.91
Depreciation, amortization and impairments	6	**-37,310,651.59**	-38,511,189.49
Other operating expenses	4	**-379,212,349.92**	-393,603,485.01
Operating profit/loss		**44,750,292.86**	38,481,764.31
Financial income and expenses	7	**4,581,712.35**	182,211,554.97
Profit/loss before appropriations and taxes		**49,332,005.21**	220,693,319.28
Appropriations	8	**-2,876,711.40**	2,694,417.39
Income taxes	9	**-5,114,362.84**	-7,605,755.19
Net profit for the period		**41,340,930.97**	215,781,981.48

KEMIRA OYJ BALANCE SHEET (FAS)

(EUR)

		As at 31 December	
	Note	**2017**	2016
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	**66,211,164.82**	82,956,948.85
Property, plant and equipment	11	**33,317,806.89**	30,383,281.23
Investments	12		
Shares in subsidiaries		**2,123,929,283.74**	2,103,542,628.42
Receivables from Group companies		**289,459,118.13**	302,197,671.84
Other shares and holdings		**121,926,295.78**	118,574,547.83
Total investments		**2,535,314,697.65**	2,524,314,848.09
Total non-current assets		**2,634,843,669.36**	2,637,655,078.17
CURRENT ASSETS			
Inventories	13	**88,955,853.89**	83,345,318.15
Non-current receivables	14	**4,801,250.13**	8,624,902.31
Current receivables	14	**372,474,830.17**	290,600,971.41
Money-market investments	15	**25,000,000.00**	70,719,098.15
Cash and cash equivalents		**92,087,792.71**	57,070,058.22
Total current assets		**583,319,726.90**	510,360,348.24
Total assets		**3,218,163,396.26**	3,148,015,426.41
EQUITY AND LIABILITIES			
EQUITY	16		
Share capital		**221,761,727.69**	221,761,727.69
Share premium		**257,877,731.94**	257,877,731.94
Fair value reserve		**4,393,565.38**	2,717,240.52
Unrestricted equity reserve		**199,963,876.20**	199,963,876.20
Retained earnings		**541,296,237.49**	406,303,596.51
Net profit/ loss for the financial year		**41,340,930.97**	215,781,981.48
Total equity		**1,266,634,069.67**	1,304,406,154.34
Appropriations	17	**5,823,410.28**	6,901,698.88
Obligatory provisions	18	**22,180,605.49**	21,514,581.37
LIABILITIES			
Non-current liabilities	19	**687,884,087.43**	610,798,960.37
Current liabilities	20	**1,235,641,223.39**	1,204,394,031.45
Total liabilities		**1,923,525,310.82**	1,815,192,991.82
Total equity and liabilities		**3,218,163,396.26**	3,148,015,426.41

KEMIRA OYJ CASH FLOW STATEMENT (FAS)

(EUR)

	Year ended 31 December 2017	2016
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the period	**41,340,930.97**	215,781,981.48
Adjustments for		
Depreciation, amortization and impairments	**37,310,651.59**	38,511,189.49
Income taxes	**5,114,362.84**	7,605,755.19
Finance expenses, net	**-4,581,712.35**	-182,211,554.97
Other non-cash items and expenses not involving cash flow	**-13,811,398.21**	11,774,509.54
Operating profit before change in working capital	**65,372,834.84**	91,461,880.73
Change in working capital		
Increase (–) / decrease (+) in inventories	**-5,610,535.74**	2,044,743.17
Increase (–) / decrease (+) in trade and other receivables	**-80,619,697.07**	30,500,627.07
Increase (+) / decrease (–) in trade payables and other liabilities	**20,647,700.65**	-20,456,698.29
Change in working capital	**-65,582,532.16**	12,088,671.95
Cash generated from operations before financing items and taxes	**-209,697.32**	103,550,552.68
Interest and other finance cost paid	**-41,411,820.71**	-27,030,509.80
Interest and other finance income received	**18,058,441.18**	21,655,705.11
Realized exchange gains and losses	**14,225,541.34**	-9,324,161.58
Dividends received	**38,166,089.45**	173,072,698.42
Income taxes paid	**-8,790,302.28**	-5,345,063.26
Net cash generated from operating activities	**20,038,251.66**	256,579,221.57
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisitions of subsidiaries and increases in subsidiary shares	**-33,386,655.32**	-19,906,487.93
Acquisitions of associated companies and other shares	**-3,624,816.00**	0.00
Purchases of intangible assets	**-13,310,322.90**	-13,498,891.85
Purchases of property, plant and equipment	**-10,191,632.11**	-4,183,211.65
Proceeds from sale of subsidiaries and other shares	**218,536.50**	38,649,269.00
Proceeds from sale of other plant, property and equipment and intangible assets	**31,030.00**	276,510.56
Change in loan receivables, net increase (–) / decrease (+)	**16,562,205.89**	-44,512,536.49
Net cash used in investing activities	**-43,701,653.94**	-43,175,348.36
Cash flow before financing	**-23,663,402.28**	213,403,873.21
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from non-current interest-bearing liabilities (+)	**200,000,000.00**	50,000,000.00
Repayment from non-current interest-bearing liabilities (–)	**-122,914,872.94**	-40,312,606.93
Short-term financing, net increase (+) / decrease (–)	**14,305,467.34**	-110,808,548.15
Dividends paid	**-80,747,684.13**	-80,748,892.00
Received group contribution	**0.00**	2,850,000.00
Net cash used in financing activities	**10,642,910.27**	-179,020,047.08
Net increase (+) / decrease (–) in cash and cash equivalents	**-13,020,492.01**	34,383,826.13
Cash and cash equivalents at 31 Dec	**117,087,792.71**	127,789,156.37
Exchange gains (+) / losses (–) on cash and cash equivalents	**2,319,128.35**	-900,459.56
Cash and cash equivalents at 1 Jan	**127,789,156.37**	94,305,789.80
Net increase (+) / decrease (–) in cash and cash equivalents	**-13,020,492.01**	34,383,826.13

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS

(EUR)

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

BASIS OF PREPARATION

The parent company's financial statements have been prepared in compliance with the relevant acts and regulations in force in Finland (FAS). Changes in Finnish Accounting Act have been adopted and prior year has been reclassified accordingly. Kemira Group's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and the parent company applies the Group's accounting policies according to FAS whenever it has been possible. Mainly the accounting policies are presented below, in which the practice differs from the Group's accounting policies. In other respects the Group's accounting policies are applied.

REVENUE

Kemira Oyj's revenue consists of mainly revenues from the sale of goods and services. Revenue includes also intercompany service charges due to change in definition of Accounting Act effective 2016.

OTHER OPERATING INCOME

Insurance compensation received has been included in other operating income.

PENSION ARRANGEMENTS

The company's statutory pensions are handled by pension insurance companies and supplemental pensions mainly by Kemira's own pension fund. Pension costs consist of payments to pension insurance companies and possible contributions to pension fund and are recognized in the income statement.

SHARE-BASED INCENTIVE PLANS

The treatment of share-based plans is described in the Group's accounting policies. In the parent company, cash proportion of share-based incentive plans is recognized as an expense in the performance year and share proportion in the year shares are given using the average share price.

INCOME TAXES

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

LEASE

Lease payments are treated as rental expenses.

FINANCIAL ASSETS, FINANCIAL LIABILITIES AND DERIVATIVE CONTRACTS

Reductions in capital of other non-current loans as well as loan transaction costs have been capitalized in a manner allowed by the Finnish Accounting Act. The non-expensed portion of these expenses, EUR 2.6 million (EUR 1.8 million), is included in Accrued income from others in the balance sheet.

All financial assets (including shares) and liabilities are recognized at their acquisition value or their acquisition value less write-downs, with the exception of derivative instruments, which are measured at their fair value.

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

The valuation methods of derivative instruments are described in the Group's accounting policies and in Note 5.6 in the Consolidated Financial Statements.

CASH FLOW STATEMENT

The parent company's cash flow statement has been prepared in accordance with the general guidelines on cash flow by the Finnish Board of Accounting.

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS

(EUR)

2. REVENUE

	2017	2016
Revenue by segments [1)]		
Pulp & Paper	**742,889,552.89**	724,290,860.70
Industry & Water	**400,506,429.34**	399,616,249.18
Intercompany revenue	**253,805,230.51**	240,304,446.91
Total	**1,397,201,212.74**	1,364,211,556.79

	2017	2016
Distribution of revenue by geographical areas as a percentage of total revenue		
Finland, domicile of the parent company	**28**	27
Other Europe, Middle East and Africa	**59**	59
Americas	**7**	7
Asia Pacific	**6**	7
Total	**100**	100

[1)] During 2017, Oil & Mining and Municipal & Industrial segments merged under a new segment Industry & Water. Comparison figures have been reclassified to reflect the new segments.

3. OTHER OPERATING INCOME

	2017	2016
Gain on the sale of property, plant and equipment	**86,158.14**	122,813.14
Rent income	**665,790.58**	975,904.36
Insurance compensation received	**5,615,743.68**	1,104.04
Other income from operations	**1,385,863.90**	1,173,637.51
Total	**7,753,556.30**	2,273,459.05

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS

(EUR)

4. OPERATING EXPENSES

	2017	2016
Change in inventories of finished goods	**568,022.30**	-2,755,294.03
Materials and services		
Materials and supplies		
Purchases during the financial year	**891,574,427.25**	840,073,110.26
Change in inventories of materials and supplies	**-6,836,235.36**	1,690,639.92
External services	**13,292,207.68**	9,876,443.97
Total materials and services	**898,030,399.57**	851,640,194.15
Personnel expenses	**45,083,052.80**	47,003,676.91
Other operating expenses		
Rents	**6,977,336.69**	9,586,333.83
Intercompany tolling manufacturing charges	**189,068,613.26**	179,941,960.81
Other intercompany charges	**117,143,473.54**	149,981,501.52
Other expenses	**66,022,926.43**	54,093,688.85
Total other operating expenses	**379,212,349.92**	393,603,485.01
Total operating expenses	**1,322,893,824.59**	1,289,492,062.04

In 2017, the operating expenses included a net increase in the obligatory provisions of EUR +0.7 million (personnel expenses EUR -0.5 million, rents EUR +0.0 million and other expenses EUR +1.2 million), and in 2016, the operating expenses included a net increase in the obligatory provisions of EUR +2.0 million (personnel expenses EUR -0.3 million, rents EUR +2.4 million and other expenses EUR -0.1 million).

DELOITTE NETWORK'S FEES AND SERVICES

	2017	2016
Audit fees	**453,086.38**	423,500.00
Tax services	**134,000.00**	130,530.00
Other services [1)]	**628,000.00**	412,554.00

[1)] In 2017, other services include fees mainly related to internal rationalization projects. In 2016, other services include fees mainly related to internal rationalization projects and AkzoNobel's global paper chemicals business acquisition.

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS

(EUR)

5. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

	2017	2016
Emoluments of the Board of Directors, the CEOs and his Deputy [1)]	**1,529,056.75**	2,394,141.66
Other wages and salaries	**35,677,560.04**	35,867,385.14
Pension expenses	**6,679,426.39**	6,823,398.55
Other personnel expenses	**1,197,009.62**	1,918,751.56
Total	**45,083,052.80**	47,003,676.91

[1)] The emolument of the Kemira Oyj's CEO was EUR 891,000 (1,494,177) including bonuses and share-based payments of EUR 324,000 (927,177). The emolument of the Kemira Oyj's Deputy CEO was EUR 268,155 (479,272) including bonuses and share-based payments of EUR 86,502 (297,619).

Other transactions between related parties are presented in Note 6.1 in the Notes to the Consolidated Financial Statements.

	2017	2016
Personnel at 31 Dec		
Pulp & Paper	**107**	91
Industry & Water	**35**	36
Other, of which	**356**	366
R&D and Technology	**167**	162
Total	**498**	493
Personnel, average	**499**	495

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

	2017	2016
Depreciation according to plan and impairments		
Intangible assets		
Intangible rights	**12,672,468.34**	12,268,318.14
Other intangible assets	**17,383,638.59**	19,154,619.82
Tangible assets		
Impairment of land and water	**0.00**	109,776.05
Buildings and constructions	**420,609.68**	351,731.82
Machinery and equipment	**6,819,090.16**	6,611,898.84
Other property, plant and equipment	**14,844.82**	14,844.82
Total	**37,310,651.59**	38,511,189.49

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS

(EUR)

7. FINANCE INCOME AND EXPENSES

	2017	2016
Dividend income		
From the Group companies	**37,331,608.45**	172,934,588.42
From others	**834,481.00**	138,110.00
Total	**38,166,089.45**	173,072,698.42
Interest income		
From the Group companies	**13,774,866.43**	14,394,515.64
From others	**2,554,642.03**	436,754.97
Total	**16,329,508.46**	14,831,270.61
Interest expenses		
To the Group companies	**-894,531.11**	-846,093.05
To others	**-17,256,731.84**	-16,928,675.43
Total	**-18,151,262.95**	-17,774,768.48
Other finance income		
From the Group companies	**396,331.05**	3,841,440.59
From others	**205,872.96**	7,610,429.09
Total	**602,204.01**	11,451,869.68
Other finance expenses		
To the Group companies [1)]	**-13,000,000.00**	0.00
To others [2)]	**-7,299,201.80**	-2,305,296.97
Total	**-20,299,201.80**	-2,305,296.97
Exchange gains and losses		
From the Group companies	**-30,151,817.32**	8,043,452.25
From others	**18,086,192.50**	-5,107,670.54
Total	**-12,065,624.82**	2,935,781.71
Total finance income and expenses	**4,581,712.35**	182,211,554.97
Exchange gains and losses		
Realized	**14,225,541.34**	-9,324,161.58
Unrealized	**-26,291,166.16**	12,259,943.29
Total	**-12,065,624.82**	2,935,781.71

[1)] In 2017, other finance expenses from the Group companies include impairment of subsidiary shares of EUR 13.0 million (0.0).

[2)] In 2017, other finance expenses from others include one-time set-up and issuance costs of EUR 5.0 million (0.0) of a bond issued in 2017.

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS

(EUR)

8. APPROPRIATIONS

	2017	2016
Change in difference between scheduled and actual depreciation (– increase/ + decrease)		
Intangible rights	**8,188.68**	14,493.48
Other intangible assets	**-172,136.65**	1,546,056.00
Buildings and constructions	**33,369.24**	140,150.29
Machinery and equipment	**1,199,020.18**	983,870.47
Other property, plant and equipment	**9,847.15**	9,847.15
Total	**1,078,288.60**	2,694,417.39
Group contribution		
Group contributions given	**-3,955,000.00**	0.00
Total	**-3,955,000.00**	0.00
Total appropriations	**-2,876,711.40**	2,694,417.39

9. INCOME TAXES

(income +, expense –)	2017	2016
Income taxes, current year	**0.00**	-4,699,620.09
Income taxes, previous years	**-1,876,051.05**	336,118.20
Deferred taxes	**-3,404,571.05**	-1,134,094.13
Other taxes	**166,259.26**	-2,108,159.17
Total	**-5,114,362.84**	-7,605,755.19

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS

(EUR)

10. INTANGIBLE ASSETS

2017	Intangible rights	Goodwill	Prepayments and non-current assets under constructions	Other intangible assets	Total
Acquisition cost at 1 Jan	87,429,502.37	6,181,419.27	3,913,735.49	189,998,902.96	**287,523,560.09**
Additions	5,549,745.60		7,542,827.05	217,750.25	**13,310,322.90**
Decreases	-395,536.03			-3,983,467.34	**-4,379,003.37**
Transfers	764,685.73		-1,504,128.28	739,442.55	**0.00**
Acquisition cost at 31 Dec	93,348,397.67	6,181,419.27	9,952,434.26	186,972,628.42	**296,454,879.62**
Accumulated amortization at 1 Jan	-37,964,014.76	-6,181,419.27	0.00	-160,421,177.21	**-204,566,611.24**
Accumulated amortization relating to decreases and transfers	395,536.03			3,983,467.34	**4,379,003.37**
Amortization and impairments during the financial year	-12,672,468.34			-17,383,638.59	**-30,056,106.93**
Accumulated amortization at 31 Dec	-50,240,947.07	-6,181,419.27	0.00	-173,821,348.46	**-230,243,714.80**
Net book value at 31 Dec	**43,107,450.60**	**0.00**	**9,952,434.26**	**13,151,279.96**	**66,211,164.82**

2016	Intangible rights	Goodwill	Prepayments and non-current assets under constructions	Other intangible assets	Total
Acquisition cost at 1 Jan	72,758,028.28	6,181,419.27	12,496,146.08	183,989,932.81	275,425,526.44
Additions	5,300,284.73		3,861,735.49	394,355.93	9,556,376.15
Decreases	-599,633.99			-801,224.21	-1,400,858.20
Transfers	9,970,823.35		-12,444,146.08	6,415,838.43	3,942,515.70
Acquisition cost at 31 Dec	87,429,502.37	6,181,419.27	3,913,735.49	189,998,902.96	287,523,560.09
Accumulated amortization at 1 Jan	-26,295,330.61	-6,181,419.27	0.00	-142,067,781.60	-174,544,531.48
Accumulated amortization relating to decreases and transfers	599,633.99			801,224.21	1,400,858.20
Amortization and impairments during the financial year	-12,268,318.14			-19,154,619.82	-31,422,937.96
Accumulated amortization at 31 Dec	-37,964,014.76	-6,181,419.27	0.00	-160,421,177.21	-204,566,611.24
Net book value at 31 Dec	49,465,487.61	0.00	3,913,735.49	29,577,725.75	82,956,948.85

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS

(EUR)

11. PROPERTY, PLANT AND EQUIPMENT

2017	Land and water areas	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Prepayments and non-current assets under construction	Total
Acquisition cost at 1 Jan	1,083,492.95	17,430,665.63	102,671,637.08	553,073.82	5,329,455.27	**127,068,324.75**
Additions	1.00	406,375.55	2,711,509.68		7,073,745.88	**10,191,632.11**
Decreases		-76,726.10	-5,886,031.51			**-5,962,757.61**
Transfers		806,956.42	2,503,383.27		-3,310,339.69	**0.00**
Acquisition cost at 31 Dec	1,083,493.95	18,567,271.50	102,000,498.52	553,073.82	9,092,861.46	**131,297,199.25**
Accumulated depreciation at 1 Jan	-109,776.05	-13,482,550.60	-82,610,694.44	-482,022.43	0.00	**-96,685,043.52**
Accumulated depreciation relating to decreases and transfers		76,726.10	5,883,469.72			**5,960,195.82**
Depreciation and impairments during the financial year		-420,609.68	-6,819,090.16	-14,844.82		**-7,254,544.66**
Accumulated depreciation at 31 Dec	-109,776.05	-13,826,434.18	-83,546,314.88	-496,867.25	0.00	**-97,979,392.36**
Net book value at 31 Dec	**973,717.90**	**4,740,837.32**	**18,454,183.64**	**56,206.57**	**9,092,861.46**	**33,317,806.89**

2016	Land and water areas	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Prepayments and non-current assets under construction	Total
Acquisition cost at 1 Jan	1,175,482.19	17,107,512.52	98,934,631.85	553,073.82	7,735,350.77	125,506,051.15
Additions		64,377.03	3,023,625.19		5,037,725.13	8,125,727.35
Decreases	-91,989.24	-38,411.60	-2,490,537.21			-2,620,938.05
Transfers		297,187.68	3,203,917.25		-7,443,620.63	-3,942,515.70
Acquisition cost at 31 Dec	1,083,492.95	17,430,665.63	102,671,637.08	553,073.82	5,329,455.27	127,068,324.75
Accumulated depreciation at 1 Jan	0.00	-13,156,663.18	-78,447,990.22	-467,177.61	0.00	-92,071,831.01
Accumulated depreciation relating to decreases and transfers		25,844.40	2,449,194.62			2,475,039.02
Depreciation and impairments during the financial year	-109,776.05	-351,731.82	-6,611,898.84	-14,844.82		-7,088,251.53
Accumulated depreciation at 31 Dec	-109,776.05	-13,482,550.60	-82,610,694.44	-482,022.43	0.00	-96,685,043.52
Net book value at 31 Dec	973,716.90	3,948,115.03	20,060,942.64	71,051.39	5,329,455.27	30,383,281.23

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS

(EUR)

12. INVESTMENTS

2017	**Shares in subsidiaries**	**Receivables from Group companies [1)]**	**Other shares and holdings**	**Total**
Net book value at 1 Jan	2,103,542,628.42	302,197,671.84	118,574,547.83	**2,524,314,848.09**
Additions	33,386,655.32		3,624,816.00	**37,011,471.32**
Decreases and transfers	-13,000,000.00	-12,738,553.71	-273,068.05	**-26,011,621.76**
Net book value at 31 Dec	**2,123,929,283.74**	**289,459,118.13**	**121,926,295.78**	**2,535,314,697.65**

2016	Shares in subsidiaries	Receivables from Group companies	Other shares and holdings	Total
Net book value at 1 Jan	2,083,703,472.85	254,707,458.08	148,222,158.17	2,486,633,089.10
Additions	19,906,487.93	68,792,697.55		88,699,185.48
Decreases and transfers	-67,332.36	-21,302,483.79	-29,647,610.34	-51,017,426.49
Net book value at 31 Dec	2,103,542,628.42	302,197,671.84	118,574,547.83	2,524,314,848.09

[1)] In 2017, non-current loan receivables from Group companies have been adjusted from current assets to investments, under receivables from Group companies. Reclassification has been applied also to comparison figures.

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS

(EUR)

13. INVENTORIES

	2017	2016
Raw materials and supplies	**28,416,340.71**	21,580,105.35
Finished goods	**56,804,073.25**	57,372,095.55
Prepayments	**3,735,439.93**	4,393,117.25
Total	**88,955,853.89**	83,345,318.15

14. RECEIVABLES

	2017	2016
Non-current receivables [1]		
Interest-free non-current receivables		
Deferred taxes	**4,801,250.13**	8,624,902.31
Total interest-free non-current receivables	**4,801,250.13**	8,624,902.31
Total non-current receivables	**4,801,250.13**	8,624,902.31

[1] In 2017, non-current loan receivables from Group companies have been adjusted from current assets to investments, under receivables from Group companies. Reclassification has been applied also to comparison figures.

	2017	2016
Current receivables		
Interest-bearing current receivables		
From the Group companies	**105,171,487.02**	77,669,312.79
Total interest-bearing current receivables	**105,171,487.02**	77,669,312.79
Interest-free current receivables		
Advances paid		
To the Group companies	**18,836,395.50**	18,836,395.50
Total	**18,836,395.50**	18,836,395.50
Trade receivables		
From the Group companies	**40,919,062.10**	27,183,225.37
From others	**132,879,638.68**	127,246,884.44
Total	**173,798,700.78**	154,430,109.81
Accrued income		
From the Group companies	**33,585,374.99**	4,828,844.62
From others	**25,943,780.16**	24,100,931.78
Total	**59,529,155.15**	28,929,776.40
Other short-term interest-free receivables		
From the Group companies	**34,646.80**	525,573.92
From others	**15,104,444.92**	10,209,802.99
Total	**15,139,091.72**	10,735,376.91
Total interest-free current receivables	**267,303,343.15**	212,931,658.62
Total current receivables	**372,474,830.17**	290,600,971.41
Total receivables	**377,276,080.30**	299,225,873.72

	2017	2016
Accrued income		
Interests	**6,011,598.62**	7,597,612.88
Taxes	**4,699,272.35**	2,318,381.95
Exchange rate differences	**11,350,677.02**	10,891,391.47
Dividends	**30,000,000.00**	0.00
Other	**7,467,607.16**	8,122,390.10
Total	**59,529,155.15**	28,929,776.40

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS

(EUR)

15. MONEY-MARKET INVESTMENTS

	2017	2016
Money-market investments		
Book value	**25,000,000.00**	70,719,098.15
Fair value	**25,000,000.00**	70,719,098.15
Difference	**0.00**	0.00

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

16. EQUITY

	2017	2016
Restricted equity		
Share capital at 1 Jan	**221,761,727.69**	221,761,727.69
Share capital at 31 Dec	**221,761,727.69**	221,761,727.69
Share premium account at Jan 1	**257,877,731.94**	257,877,731.94
Share premium account at 31 Dec	**257,877,731.94**	257,877,731.94
Fair value reserve at 1 Jan	**2,717,240.52**	-4,657,093.00
Cash flow hedges	**1,676,324.86**	7,374,333.52
Fair value reserve at 31 Dec	**4,393,565.38**	2,717,240.52
Total restricted equity at 31 Dec	**484,033,025.01**	482,356,700.15
Unrestricted equity reserve		
Unrestricted equity reserve at 1 Jan	**199,963,876.20**	199,963,876.20
Unrestricted equity reserve at 31 Dec	**199,963,876.20**	199,963,876.20
Retained earnings at 1 Jan [1)]	**622,085,577.99**	484,949,441.70
Net profit for the period	**41,340,930.97**	215,781,981.48
Dividends paid	**-80,747,684.13**	-80,748,892.00
Share-based incentive plan		
Shares given	**118,018.71**	2,103,046.81
Shares returned	**-159,675.08**	
Retained earnings and net profit for the period ending at 31 Dec	**582,637,168.46**	622,085,577.99
Total unrestricted equity at 31 Dec	**782,601,044.66**	822,049,454.19
Total equity at 31 Dec	**1,266,634,069.67**	1,304,406,154.34
Total distributable funds at 31 Dec	**782,601,044.66**	822,049,454.19

[1)] The company owns 2,988,935 treasury shares, the acquisition value of which totals EUR 20,119,667.69.

Change in treasury shares	**EUR**	**Number of shares**
Acquisition value / number at Jan 1, 2017	**20,028,053.10**	**2,975,327**
Change	**91,614.59**	**13,608**
Acquisition value/number at Dec 31, 2017	**20,119,667.69**	**2,988,935**

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS

(EUR)

17. ACCUMULATED APPROPRIATIONS

	2017	2016
Appropriations		
Appropriations in the property, plant and equipment by asset class are as follows		
Buildings and constructions	**788,423.36**	821,792.60
Machinery and equipment	**1,508,201.15**	2,707,221.32
Other property, plant and equipment	**13,201.60**	23,048.75
Intangible rights	**487,483.76**	495,672.44
Other intangible assets	**3,026,100.41**	2,853,963.77
Total	**5,823,410.28**	6,901,698.88
Change in appropriations		
Appropriations at 1 Jan	**6,901,698.88**	9,596,116.27
Change in untaxed reserves in income statement	**-1,078,288.60**	-2,694,417.39
Appropriations at 31 Dec	**5,823,410.28**	6,901,698.88

On December 31, 2017, deferred tax liabilities on accumulated appropriations were EUR 1.2 million (1.4).

18. OBLIGATORY PROVISIONS

	2017	2016
Non-current provisions		
Pension provisions	**5,886,652.00**	6,062,164.00
Other obligatory provisions		
Environmental provisions	**11,408,559.38**	10,227,914.39
Restructuring provisions	**0.00**	3,515,000.00
Total other obligatory provisions	**11,408,559.38**	13,742,914.39
Total non-current provisions	**17,295,211.38**	19,805,078.39
Current provisions		
Other obligatory provisions		
Personnel related provisions	**372,095.06**	694,011.93
Restructuring provisions	**4,513,299.05**	1,015,491.05
Total current provisions	**4,885,394.11**	1,709,502.98
Total provisions	**22,180,605.49**	21,514,581.37
Change in obligatory provisions		
Obligatory provisions at 1 Jan	**21,514,581.37**	19,484,405.66
Decrease of provisions during the year	**-1,176,185.56**	-2,740,134.67
Provisions reversed during the year	**-285,001.32**	-326,291.05
Increase during financial year	**2,127,211.00**	5,096,601.43
Obligatory provisions at 31 Dec	**22,180,605.49**	21,514,581.37

Environmental risks and liabilities are disclosed in Note 4.6 in the Notes to the Consolidated Financial Statements.

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS

(EUR)

19. NON-CURRENT LIABILITIES

	2017	2016
Loans from financial institutions	**215,000,000.05**	237,095,621.37
Other non-current liabilities	**472,884,087.38**	373,703,339.00
Total	**687,884,087.43**	610,798,960.37
Long-term liabilities maturing in		
2019 (2018)	**110,000,989.43**	22,295,621.37
2020 (2019)	**205,000,000.00**	212,179,971.00
2021 (2020)	**0.00**	204,900,000.00
2022 (2021) or later	**372,883,098.00**	171,423,368.00
Total	**687,884,087.43**	610,798,960.37
Liabilities maturing in 5 years or more		
Other non-current liabilities	**372,883,098.00**	171,423,368.00
Total	**372,883,098.00**	171,423,368.00

Other non-current liabilities include EUR 100 million bond, which matures on May 27, 2019, EUR 150 million bond, which matures on May 13, 2022 and EUR 200 million bond, which matures on May 30, 2024.

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS

(EUR)

20. CURRENT LIABILITIES

	2017	2016
Interest-bearing current liabilities		
Loans from financial institutions	**20,631,201.54**	31,009,515.48
Other interest-bearing current liabilities		
To the Group companies	**987,538,883.67**	959,043,155.65
To others	**20,385,392.42**	24,197,339.16
Total interest-bearing current liabilities	**1,028,555,477.63**	1,014,250,010.29
Interest-free current liabilities		
Prepayments received		
From others	**519,600.65**	660,527.45
Total	**519,600.65**	660,527.45
Trade payables		
To the Group companies	**37,744,054.11**	42,095,195.21
To others	**91,754,465.63**	57,637,340.34
Total	**129,498,519.74**	99,732,535.55
Accrued expenses		
To the Group companies	**8,168,050.10**	7,883,757.27
To others	**59,828,187.46**	72,550,079.73
Total	**67,996,237.56**	80,433,837.00
Total other interest-free liabilities	**9,071,387.81**	9,317,121.16
Total interest-free current liabilities	**207,085,745.76**	190,144,021.16
Total current liabilities	**1,235,641,223.39**	1,204,394,031.45
Accrued expenses		
Salaries	**12,266,255.17**	10,893,082.28
Interests and exchange rate differences	**9,798,604.28**	12,759,960.24
Other	**45,931,378.11**	56,780,794.48
Total	**67,996,237.56**	80,433,837.00

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS

(EUR)

21. COLLATERAL AND CONTINGENT LIABILITIES

	2017	2016
Guarantees		
On behalf of the Group companies		
For loans	**410,418,819.00**	401,271,034.00
For other obligations	**50,195,465.00**	54,437,160.00
On behalf of others	**3,485,607.00**	2,686,798.00
Total	**464,099,891.00**	458,394,992.00
Leasing liabilities		
Maturity within one year	**4,098,006.00**	4,968,769.00
Maturity after one year and no later than 5 years	**8,967,031.00**	12,018,709.00
Maturity after 5 years	**5,387,304.00**	5,889,076.00
Total	**18,452,341.00**	22,876,554.00

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS

(EUR)

22. SHARES AND HOLDINGS OWNED BY KEMIRA OYJ

Shares in subsidiaries	Group holding %	Kemira Oyj holding %
AS Kemivesi	100.00	100.00
Kemira Argentina S.A.	100.00	15.80
Kemira Cell Sp. z.o.o.	55.00	55.00
Kemira Chemicals (Nanjing) Co.,Ltd.	100.00	100.00
Kemira Chemicals (Shanghai) Co.,Ltd.	100.00	100.00
Kemira Chemicals (UK) Ltd.	100.00	100.00
Kemira Chemicals (Yanzhou) Co.,Ltd.	100.00	100.00
Kemira Chemicals Brasil Ltda	100.00	99.87
Kemira Chemicals Canada Inc.	100.00	100.00
Kemira Chemicals Korea Corporation	100.00	100.00
Kemira Chemie Ges.mbH	100.00	100.00
Kemira Chile Comercial Limitada	100.00	99.00
Kemira Europe Oy	100.00	100.00
Kemira Germany GmbH	100.00	100.00
Kemira GrowHow A/S	100.00	100.00
Kemira Hong Kong Company Limited	100.00	100.00
Kemira KTM d.o.o.	100.00	100.00
Kemira Nederland Holding B.V.	100.00	100.00
Kemira Operon Oy	100.00	100.00
Kemira Świecie Sp. z o.o.	100.00	100.00
Kemira Water Danmark A/S	100.00	100.00
Kemira Water Solutions Brasil - Produtos para Tratamento de Água Ltda.	100.00	100.00
PT Kemira Indonesia	100.00	74.80
PT Kemira Chemicals Indonesia	99.77	99.77

KEMIRA OYJ'S BOARD OF DIRECTORS' PROPOSAL TO THE ANNUAL GENERAL MEETING FOR THE DISTRIBUTION OF DISTRIBUTABLE FUNDS AND SIGNING OF THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REVIEW

On December 31, 2017, Kemira Oyj's distributable funds are EUR 782,601,045 of which net profit for the period amounts to EUR 41,340,931.

The Board of Directors proposes to the Annual General Meeting to be held on March 21, 2018 that a dividend of EUR 0.53 per share will be distributed. No dividend will be paid on own shares held by the company as treasury shares on the dividend record date.

On the date of this proposal for the distribution of profits, a total of 152,353,622 shares are held outside the company, the total dividends paid would amount to EUR 80,747,420. The distributable funds of EUR 701,853,625 to be retained as equity.

There have been no material changes in the company's financial position since December 31, 2017. The liquidity of the company remains good, and the proposed dividend payment does not risk the solvency of the company.

Helsinki, February 7, 2018

Jari Paasikivi
Chairman

Kerttu Tuomas
Vice Chairman

Wolfgang Büchele

Shirley Cunningham

Kaisa Hietala

Timo Lappalainen

Jari Rosendal
CEO

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AUDITOR'S REPORT (Translation from the Finnish original)

To the Annual General Meeting of Kemira Oyj

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Kemira Oyj (business identity code 0109823-0) for the year ended 31 December, 2017. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

According to our best knowledge and understanding all services other than the statutory audit we have provided for parent company and group companies comply with regulations governing the services other than the statutory audit in Finland. We have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. All services other than the statutory audit which we have provided have been disclosed in note 2.2. to the consolidated financial statements and in note 4 to the parent company's financial statements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Goodwill impairment testing
Consolidated financial statements as of 31.12.2017 includes Goodwill amounting to EUR 505,0 million.
Management has conducted goodwill impairment testing and as a result of the testing conducted, Kemira has not accounted for any impairments over goodwill as at 31.12.2017.
Goodwill impairment testing requires substantial management judgment over the recoverable amounts over:

estimations over the projected future cash flow
long term growth assumptions
applied discount rate.

For further details over the goodwill impairment testing conducted by the management is presented in the note 3.1. within the consolidated financial statements.
This matter is regarded as significant risk of material misstatement in accordance with EU Audit Regulation (537/2014) Article 10 paragraph 2 c.
</td><td>
As part of our audit procedures we have evaluated the estimates over the future recoverable cash flows and we have compared, that the forecasts used in the impairment tests are based on approved long term forecast and budgets approved.
We have assessed the impairment testing by:

evaluating the key assumptions applied per segment applied
assessing the growth estimates and comparing them to historical performance
comparing applied discount rates to independent third party sources
assessing the sensitivity analysis over the long term assumptions and discount rate.

We have also assessed the sensitivity analysis, which is disclosed in the consolidated financial statements note 3.1.
In particular we considered the completeness of the disclosures regarding those CGUs with material goodwill balances and where a reasonably possible change in certain variables could lead to impairment.
</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of available for sale financial instruments Consolidated financial statements as of 31.12.2017 includes Available for Sale Financial assets amounting to EUR 235,8 million. This item consists mainly from shares of Pohjolan Voima Oyj (PVO) and Teollisuuden Voima Oyj (TVO) share which fair value is approximately EUR 234,3 million. Fair value measurement of these shares require substantial management judgment relating to the following estimates: • future electricity market prices in Finland • future electricity production costs • applied discount rate. For further details over the fair value measurement conducted by the management is presented in the note 3.4. within the consolidated financial statements. This matter is regarded as significant risk of materi-al misstatement in accordance with EU Audit Regula-tion (537/2014) Article 10 paragraph 2 c.	Our audit procedures included assessment of the underlying electricity price and production cost assumptions used in the management's valuation model against the available third party information. We have assessed the processes relating to fair value measurement and reasonableness of the valuation model applied by the management. We have assessed the assumptions that management has applied in the Weighted Average Cost of Capital (WACC) rate which is used as discount rate. We have compared the assumptions and estimates applied by management to other available third party estimates and assessed the reasonableness of these assumptions.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the parent company financial statements.

Responsibilities of the Board of Directors and the Chief Executive Officer for the financial statements

The Board of Directors and the Chief Executive Officer are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland an comply with statutory requirements. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Chief Executive Officer are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities in the audit of financial statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 21 March 2012, and our appointment represents a total period of uninterrupted engagement of 6 years.

Other information

The Board of Directors and the Chief Executive Officer are responsible for the other information. The other information comprises information included in the Board of Directors Review and in the Annual Report, but does not include the financial statements and our report thereon. We obtained the Board of Directors Review prior to the date of the auditor's report, and the Annual Report is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to Board of Directors Review, our responsibility also includes considering whether the Board of Directors Review has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the Board of Directors Review is consistent with the information in the information in the financial statements and the Board of Directors Review has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed to the other information made available to us prior the issuance date of our auditor's report, we conclude that there is a material misstatement in of the information included in the other information, we are required to report this fact. We have nothing to report in this regard.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown on the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Chief Executive Officer should be discharged from liability for the financial period audited by us.

Helsinki, 7 February 2018

Deloitte Oy
Audit Firm

Jukka Vattulainen
Authorised Public Accountant (KHT)

QUARTERLY EARNINGS PERFORMANCE
(EUR million)

(The figures are unaudited)					2017					2016
	1-3	4-6	7-9	10-12	Total	1-3	4-6	7-9	10-12	Total
Revenue										
Pulp & Paper	**372.2**	**368.9**	**363.0**	**372.8**	**1,476.9**	362.4	361.1	365.2	368.6	1,457.3
Industry & Water	**237.8**	**248.3**	**259.2**	**263.8**	**1,009.1**	220.3	226.7	231.1	227.9	906.0
Total	**610.0**	**617.2**	**622.2**	**636.6**	**2,486.0**	582.7	587.8	596.3	596.5	2,363.3
EBITDA [1]										
Pulp & Paper	**45.1**	**45.1**	**34.6**	**55.1**	**179.9**	46.7	46.2	50.5	44.4	187.8
Industry & Water	**21.5**	**22.0**	**35.7**	**23.4**	**102.5**	24.4	23.1	27.8	21.1	96.4
Total	**66.7**	**67.0**	**70.2**	**78.4**	**282.4**	71.1	69.3	78.3	65.5	284.2
EBIT [1]										
Pulp & Paper	**22.9**	**23.0**	**10.4**	**30.6**	**86.9**	27.0	25.8	28.5	20.3	101.6
Industry & Water	**9.7**	**10.5**	**23.0**	**11.2**	**54.4**	12.2	9.1	15.2	8.9	45.4
Total	**32.6**	**33.5**	**33.4**	**41.8**	**141.4**	39.2	34.9	43.7	29.2	147.0
Finance costs, net	**-6.7**	**-7.7**	**-7.4**	**-7.1**	**-28.9**	-6.0	-0.3	-6.9	-5.9	-19.1
Share of the results of associates	**0.1**	**0.0**	**0.1**	**-0.1**	**0.2**	0.1	0.0	0.0	0.0	0.1
Profit before tax	**26.1**	**25.9**	**26.1**	**34.6**	**112.6**	33.3	34.6	36.8	23.3	128.0
Income taxes	**-6.3**	**-6.2**	**-6.1**	**-8.8**	**-27.4**	-7.6	-7.9	-9.5	-5.1	-30.1
Net profit for the period	**19.8**	**19.6**	**20.0**	**25.8**	**85.2**	25.7	26.7	27.3	18.2	97.9
Net profit attributable to										
Equity owners of the parent	**18.3**	**17.7**	**18.4**	**24.3**	**78.6**	24.5	25.0	25.6	16.7	91.8
Non-controlling interests	**1.6**	**1.9**	**1.7**	**1.5**	**6.6**	1.2	1.7	1.7	1.5	6.1
Net profit for the period	**19.8**	**19.6**	**20.0**	**25.8**	**85.2**	25.7	26.7	27.3	18.2	97.9
Earning per share, basic and diluted, EUR	**0.12**	**0.12**	**0.12**	**0.16**	**0.52**	0.16	0.17	0.16	0.11	0.60

[1] Includes items affecting comparability.

RECONCILIATION OF IFRS FIGURES

(EUR million)

(The figures are unaudited)					2017					2016
	1-3	**4-6**	**7-9**	**10-12**	**Total**	1-3	4-6	7-9	10-12	Total
ITEMS AFFECTING COMPARABILITY IN EBITDA AND EBIT										
Operative EBITDA										
Pulp & Paper	**46.0**	**47.8**	**48.5**	**55.4**	**197.7**	47.9	49.3	51.8	46.3	195.3
Industry & Water	**22.9**	**29.3**	**36.0**	**25.3**	**113.6**	24.9	29.6	29.0	23.7	107.2
Total	**69.0**	**77.1**	**84.5**	**80.7**	**311.3**	72.8	78.9	80.8	70.0	302.5
Total Items affecting comparability	**-2.3**	**-10.1**	**-14.3**	**-2.2**	**-28.9**	-1.7	-9.6	-2.5	-4.5	-18.3
EBITDA	**66.7**	**67.0**	**70.2**	**78.4**	**282.4**	71.1	69.3	78.3	65.5	284.2
Operative EBIT										
Pulp & Paper	**23.8**	**25.7**	**24.4**	**30.9**	**104.8**	28.2	28.9	30.0	24.5	111.6
Industry & Water	**11.1**	**17.9**	**23.4**	**13.1**	**65.5**	12.7	17.7	16.5	11.6	58.5
Total	**34.9**	**43.6**	**47.7**	**44.0**	**170.3**	40.9	46.6	46.5	36.1	170.1
Total Items affecting comparability	**-2.3**	**-10.1**	**-14.3**	**-2.2**	**-28.9**	-1.7	-11.7	-2.8	-6.9	-23.1
EBIT	**32.6**	**33.5**	**33.4**	**41.8**	**141.4**	39.2	34.9	43.7	29.2	147.0
Operative EBITDA	**69.0**	**77.1**	**84.5**	**80.7**	**311.3**	72.8	78.9	80.8	70.0	302.5
Restructuring and streamlining programs	**-1.9**	**-7.5**	**-1.2**	**-2.4**	**-13.1**	0.0	-4.3	-0.4	-1.1	-5.8
Transaction and integration expenses in acquisition	**0.1**	**0.2**	**0.3**	**-0.2**	**0.3**	-1.4	-1.9	-0.5	-1.2	-5.0
Divestment of businesses and other disposals	**0.0**	**-2.6**	**0.0**	**0.8**	**-1.9**	0.3	0.0	0.2	0.0	0.5
Other items	**-0.5**	**-0.1**	**-13.4**	**-0.3**	**-14.4**	-0.6	-3.4	-1.8	-2.2	-8.0
Total Items affecting comparability	**-2.3**	**-10.1**	**-14.3**	**-2.2**	**-28.9**	-1.7	-9.6	-2.5	-4.5	-18.3
EBITDA	**66.7**	**67.0**	**70.2**	**78.4**	**282.4**	71.1	69.3	78.3	65.5	284.2
Operative EBIT	**34.9**	**43.6**	**47.7**	**44.0**	**170.3**	40.9	46.6	46.5	36.1	170.1
Total Items affecting comparability in EBITDA	**-2.3**	**-10.1**	**-14.3**	**-2.2**	**-28.9**	-1.7	-9.6	-2.5	-4.5	-18.3
Items affecting comparability in depreciation, amortization and impairments	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	0.0	-2.1	-0.3	-2.4	-4.8
Operating profit (EBIT)	**32.6**	**33.5**	**33.4**	**41.8**	**141.4**	39.2	34.9	43.7	29.2	147.0
ROCE AND OPERATIVE ROCE										
Operative EBIT	**34.9**	**43.6**	**47.7**	**44.0**	**170.3**	40.9	46.6	46.5	36.1	170.1
Operating profit (EBIT)	**32.6**	**33.5**	**33.4**	**41.8**	**141.4**	39.2	34.9	43.7	29.2	147.0
Share of profit or loss of associates	**0.1**	**0.0**	**0.1**	**-0.1**	**0.2**	0.1	0.0	0.0	0.0	0.1
Capital Employed	**1,736.8**	**1,749.7**	**1,759.9**	**1,763.2**	**1,763.2**	1,697.8	1,709.6	1,711.5	1,718.2	1,718.2
Operative ROCE, %	**9.5**	**9.2**	**9.2**	**9.7**	**9.7**	9.7	9.8	9.8	9.9	9.9
ROCE, %	**8.1**	**8.0**	**7.3**	**8.0**	**8.0**	7.9	7.9	7.9	8.6	8.6
NET WORKING CAPITAL										
Inventories	**230.2**	**227.1**	**224.4**	**223.8**	**223.8**	215.4	214.0	214.0	216.9	216.9
Trade receivables and other receivables	**412.8**	**419.5**	**398.6**	**418.8**	**418.8**	404.6	404.9	398.9	386.1	386.1
Excluding financing items in other receivables	**-15.1**	**-21.2**	**-18.3**	**-21.4**	**-21.4**	-26.0	-19.3	-15.3	-16.8	-16.8
Trade payables and other liabilities	**490.3**	**384.2**	**385.6**	**422.8**	**422.8**	462.3	359.1	377.5	405.2	405.2
Excluding financing items in other liabilities	**-98.4**	**-5.6**	**-11.1**	**-12.0**	**-12.0**	-119.1	-20.4	-16.7	-13.6	-13.6
Net working capital	**236.0**	**246.8**	**230.3**	**210.5**	**210.5**	250.8	260.9	236.8	194.6	194.6
INTEREST-BEARING NET LIABILITIES										
Non-current interest-bearing liabilities	**592.1**	**690.9**	**674.5**	**669.1**	**669.1**	666.6	676.8	656.8	649.5	649.5
Current interest-bearing liabilities	**200.3**	**180.8**	**186.6**	**191.4**	**191.4**	133.7	167.4	170.7	157.9	157.9
Interest-bearing liabilities	**792.4**	**871.7**	**861.2**	**860.5**	**860.5**	800.3	844.2	827.5	807.4	807.4
Cash and cash equivalents	**131.5**	**113.7**	**160.5**	**166.1**	**166.1**	156.2	154.3	161.9	173.4	173.4
Interest-bearing net liabilities	**660.9**	**758.0**	**700.7**	**694.4**	**694.4**	644.1	689.9	665.6	634.0	634.0