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Financial Statements Bulletin 2008

Kemira

Kemira Oyj's Financial Statements Bulletin 2008

2008 Was a Year of Strategic Changes for Kemira

In 2008:

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

In October–December 2008:

- Revenue in continuing business operations increased by 5% in October–December 2008.
- Operating profit excluding non-recurring items increased clearly and was EUR 11.7 million (EUR 4.1 million). Operating profit rose as a result of sales price increases as well as operational efficiency enhancement measures.
- Due to Kemira's restructuring and cost savings program, Kemira booked EUR 79.8 million one-time costs for October–December 2008. The main part of the non-recurring costs involve production capacity cuts, business closures and the discontinuance of non-profitable business, and the measures underlying the costs will improve Kemira's profitability in the near future.

Key Figures and Ratios

EUR million	10–12/2008	10–12/2007	1–12/2008	1–12/2007
Revenue	627.6	654.4	2,832.7	2,810.2
EBITDA	2.1	31.4	243.3	316.9
EBITDA, %	0.3	4.8	8.6	11.3
Operating profit, excluding non-recurring items	11.7	4.1	132.6	174.6
Operating profit	-68.1	-42.9	74.0	143.1
Operating profit, excluding non-recurring items, %	1.9	0.6	4.7	6.2
Operating profit, %	-10.9	-6.6	2.6	5.1
Financial income and expenses	-23.7	-15.3	-69.5	-51.9
Profit before tax	-94.5	-58.0	1.8	93.3
Profit before tax, %	-15.1	-8.8	0.1	3.3
Net profit	-68.5	-46.0	1.8	67.5
EPS, EUR	-0.57	-0.39	-0.02	0.53
Capital employed*	2,062.8	2,035.8	2,062.8	2,035.8
ROCE, %*	3.5	7.1	3.5	7.1
Free cash flow after investments	-63.0	-25.7	2.7	-149.1
Personnel at period-end	9,405	10,007	9,405	10,007

* 12-month rolling average

Kemira's President and CEO Harri Kerminen:

"Kemira went through some major changes in 2008. In June, we announced our new, water-focused strategy and changed our organization to enable the implementation of the strategy. At the same time, we started a global savings program.

In the first half of the year, raw material prices rose steeply and Kemira responded to this by implementing global sales price increases, but in spite of this, the first half was weak both in terms of earnings and sales. Price increases started to deliver results in the third quarter, and as a whole, things took a positive turn the third quarter.

Positive development continued into the final quarter, which in continuing businesses outperformed the reference period both in terms of sales and operating profit excluding non-recurring items. Operating profit rose as a result of sales price increases as well as other operational efficiency enhancement measures. However, at the year-end, demand in the market weakened, affecting Kemira's sales, particularly in the paints and coatings business as new construction declined, as well as in paper chemicals. Despite the challenging market situation, Kemira's revenue growth in continuing businesses was 5% in the October–December period compared to the same period in 2007. Demand for municipal water treatment products remained good. The ChemSolutions business enjoyed sustained strong demand for chemicals used in the food, feed and pharmaceutical industries.

Due to Kemira's restructuring and the cost savings program launched in June, Kemira booked EUR 79.8 million in one-time costs for the last quarter of 2008. We can say in hindsight that we started the cost savings program at the right time. Our measures underlying the one-time items will improve our profitability in the near future.

When we announced the new strategy, we also unveiled plans to list the paints and coatings business, i.e. Tikkurila, on the Helsinki stock exchange during the first half of 2009. As the equity, debt and paint markets have weakened, we have decided to postpone the listing and target to arrange it once market conditions permit.

According to Kemira's targets, we are focusing on improving profitability and reinforcing the cash flow and balance sheet. In 2008, we turned free cash flow after investments positive. Strengthening the balance sheet will form one of our main focus areas in 2009. Our goal is to make Kemira a leading water chemicals company with better profitability, despite the challenging business environment."

Financial Performance for October–December

Kemira Group's **revenue** in continuing business operations in October–December 2008 increased by 5%. In the revenue for continuing businesses, the impact of the titanium dioxide business that was transferred to a joint venture as well as the impact of divested businesses are excluded.

Kemira Group's reported revenue for October–December 2008 fell by 4%, totaling EUR 627.6 million (October–December 2007: EUR 654.4 million). Demand for paints and coatings shrank significantly in the extremely unstable market conditions, as new construction declined. In pulp and paper chemicals, sales shrank towards the end of the year as demand in the customer industry weakened. Demand for products in the municipal water treatment business continued to be good. Towards the year-end, there were signs of weakening demand in the industrial water treatment business. The ChemSolutions business enjoyed sustained strong demand for chemicals used in the food, feed and pharmaceutical industries. Sales price hikes increased revenue by some EUR 48 million but a decline in sales volumes decreased revenue by some EUR 48 million. Acquisitions contributed about EUR 9 million to revenue growth while divestments decreased revenue by some EUR 59 million. The currency exchange effect had an approximately EUR 6 million positive impact on revenue.

Revenue by business area, EUR million	**10–12/2008**	**10–12/2007**	**1–12/2008**	**1–12/2007**
Kemira Pulp&Paper	258.3	253.6	1,057.7	1,043.0
Kemira Water	190.6	180.3	760.0	686.4
Kemira Specialty	63.7	102.0	375.3	425.9
Kemira Coatings	103.5	118.4	648.1	625.2
Other, including eliminations	11.5	0.1	-8.4	29.7
Total	**627.6**	**654.4**	**2,832.7**	**2,810.2**

Kemira Group's **operating profit** for the fourth quarter, excluding non-recurring items, was EUR 11.7 million (EUR 4.1 million), and operating profit as a percentage of revenue, excluding non-recurring items, was 1.9% (0.6). Operating profit rose as a result of sales price increases as well as operational efficiency enhancement measures. On the other hand, raw material and energy prices as well as transport costs were on a high level, which had a negative effect on operating profit. Variable costs increased in October–December of 2008 by some EUR 40 million compared with the 2007 reference period (excluding the effect of acquisitions, divestments and changes in sales volumes). Sales price hikes increased operating profit by some EUR 48 million. The decline in sales volumes decreased operating profit by some EUR 17 million. The currency exchange effect increased operating profit by approximately EUR 2 million.

Operating profit (excluding non-recurring items), EUR million	**10–12/2008**	**10–12/2007**	**1–12/2008**	**1–12/2007**
Kemira Pulp&Paper	9.4	12.3	50.4	79.8
Kemira Water	7.4	6.9	28.7	46.7

Kemira Specialty	11.4	-2.0	23.9	24.1
Kemira Coatings	-12.6	-3.5	59.2	64.3
Other, including eliminations	-3.9	-9.6	-29.6	-40.3
Total	**11.7**	**4.1**	**132.6**	**174.6**

Operating profit, EUR million Analysis of the differences	**Kemira Group**	**Kemira Pulp&Paper**	**Kemira Water**	**Kemira Specialty**	**Kemira Coatings**
Operating profit, 10–12/2007	**-42.9**	**-1.8**	**3.8**	**-13.9**	**-5.9**
Price	48	13	22	11	2
Volume	-17	-4	-7	1	-7
Currency exchange	2	1	0	1	0
Variable costs	-40	-15	-17	-2	-6
Other	-18	-31	-15	13	4
Operating profit, 10–12/2008	**-68.1**	**-38.0**	**-12.7**	**9.8**	**-12.6**

Operating loss for October–December was EUR -68.1 million (EUR -42.9 million) including non-recurring items with a net impact of EUR -79.8 million (EUR -47.0 million) due to Kemira's restructuring and cost savings program launched in June. Of the non-recurring items, less than half will have a cash impact during 2008 and 2009. Approximately 61% of the non-recurring costs involve production capacity cuts, business closures and the discontinuance of non-profitable business. Kemira has already closed, and will continue to close, non-profitable production capacity, particularly in its polymer and paper chemicals business. The costs associated with personnel reductions and organizational restructuring account for about 28% of the non-recurring items. Functions will be centralized in order to cut costs, the related items representing about 11% of the non-recurring items.

The Group's net financial expenses in October–December totaled EUR 23.7 million (EUR 15.3 million). This increase can be attributed to the Group's higher interest expenses and the EUR 6.3 million (EUR -0.3 million) mostly unrealized currency exchange losses recognized in financial expenses.

Loss before tax in the fourth quarter came to EUR -94.5 million (EUR -58.0 million) and full-year loss totaled EUR -68.5 million (EUR -46.0 million). Earnings per share were EUR -0.57 (EUR -0.39). Earnings per share excluding non-recurring items were EUR -0.08 (EUR -0.04).

Business Areas in October–December

Kemira Pulp&Paper:

Kemira Pulp&Paper's **revenue** in October–December 2008 rose by 2% to EUR 258.3 million (EUR 253.6 million). Sales declined towards the year-end as demand in the customer industry dwindled. Divestments decreased revenue by some EUR 2 million. The currency exchange effect had a positive impact of approximately EUR 6 million on revenue.

Operating profit for October–December, excluding non-recurring items, was EUR 9.4 million (EUR 12.3 million). The decrease in operating profit was due to lower sales volumes of paper and pulp chemicals as well as the high prices of raw materials, freight costs and energy. Variable costs increased in October–December 2008 by about EUR 15 million compared with the same period in 2007. Raw material price hikes had a particularly strong impact on the profitability of the paper chemicals business. Sales price increases had an effect of approximately EUR 13 million on operating profit. Impairments and cost reserves of EUR 47.4 million (EUR 14.1 million) were recorded in October–December related to the global cost savings program and restructuring. Reported operating loss was EUR -38.0 million (EUR -1.8 million).

Kemira Water:

Kemira Water's **revenue** in October–December 2008 rose by 6% to EUR 190.6 million (EUR 180.3 million). The revenue increase can be attributed to the price hikes enforced due to higher raw material prices. Demand for products in the municipal water treatment business continued to be good. In the industrial water treatment business there were signs of weakening demand towards the year-end. As a whole, year-on-year delivery volumes in Kemira Water shrank. The currency exchange effect had a positive impact on revenue of around EUR 2 million. Acquisitions contributed around EUR 9 million to revenue growth.

Operating profit for October–December, excluding non-recurring items, was EUR 7.4 million (EUR 6.9 million). Sales price increases raised the operating profit by about EUR 22 million while lower sales volumes decreased it by around EUR 7 million. Variable costs increased in October–December 2008 by some EUR 17 million compared with the same period in 2007. Acquisitions increased operating profit by some EUR 2 million. Impairments and cost reserves of EUR 20.1 million (EUR 3.1 million) were recorded in October–December related to the global cost savings program and restructuring. Reported operating loss was EUR -12.7 million (EUR 3.8 million).

Kemira Specialty:

Kemira Specialty's October–December **revenue** decreased after the titanium dioxide business was transferred to the joint venture that launched operations in early September. Revenue totaled EUR 63.7 million (EUR 102.0 million). The start-up of the joint venture had a negative impact of about EUR 53 million on revenue, since titanium dioxide was no longer part of Kemira's revenue in October–December. Revenue from continuing business operations rose by 28%.

Operating profit, excluding non-recurring items, in the final quarter was EUR 11.4 million (EUR -2.0 million). The start-up of the joint venture had a positive impact of around EUR 3 million on operating profit, as the result of the JV has been reported under the operating profit line since the beginning of September and due to the titanium dioxide business being loss-making in October–December 2007. Demand and price level for formic acid and organic salts remained healthy. Sales price increases had an effect on operating profit of around EUR 11 million. Impairments and cost reserves of EUR 1.6 million (EUR 11.9 million) were recorded in October–December related to the global cost savings program and restructuring. Reported operating profit was EUR 9.8 million (EUR -13.9 million).

Kemira Coatings:

Kemira Coatings' **revenue** in October–December fell by 13% to EUR 103.5 million (EUR 118.4 million). This decline can be attributed to the decline in new construction and sales of construction materials, as well as a slowdown in property sales, resulting from the general economic recession in all key markets. The currency exchange effect had a negative impact on revenue of around EUR 2 million.

Operating loss for October–December was EUR -12.6 million (EUR -5.9 million, including EUR -2.4 million non-recurring items). Lower sales volumes reduced operating profit by some EUR 7 million. Variable costs increased by around EUR 6 million compared with the same period in 2007. Sales price increases and product mix changes had an approximately EUR 2 million effect on operating profit.

Financial Performance for 2008

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

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

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

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

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

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

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

The company's mid-term financial goals are:

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

Financial Position and Cash Flows

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

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

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

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

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

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

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

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

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

Capital Expenditure

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

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

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

Strategy Update

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

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

- Kemira's business is divided into three customer-oriented segments with P/L responsibility. Water technology is the common denominator for all segments. The **Paper** segment will focus on serving customer segments in the pulp and paper industry, while the **Water** segment will concentrate on the customer segments in municipal and industrial water treatment. The **Oil & Mining** segment will further develop businesses in the expanding application areas of the oil, gas and mining industries.
- Kemira is divided into four geographical areas: North America, South America, Asia Pacific (APAC) and Europe (EMEA). These areas are responsible for developing a common cost-effective infrastructure for the different business functions. In addition, the geographical organizations of South America and Asia Pacific are responsible for strategy implementation and market development.
- The functions will be organized globally, and will provide services for all Kemira businesses.

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

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

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

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

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

Short-Term Risks and Uncertainties

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

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

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

A detailed account of Kemira’s risk management principles and organization is available at the company website at www.kemira.com. An account of financial risks will be available in the Notes to the Financial Statements 2008. Materialized environmental and hazard risks will be handled in Kemira’s environmental report, to be published in March.

Research and Development

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

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

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

As part of the R&D structural reorganization, Kemira decided to establish a new research and development center in Atlanta, Georgia, in the United States. This center will be located at a technology enterprise park in association with the Georgia Institute of Technology (Georgia Tech) in Atlanta, and will house all of Kemira’s North American R&D activities. The new center will start up in the summer of 2009. Kemira’s Asian technology center in Shanghai, China, was inaugurated in April.

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

Environment and Safety

The bulk of Kemira’s business is in the chemical industry, whose products and operations are governed by numerous international agreements and regional and national legislation all over the world. In its financial statements, the Group treats its environmental liabilities and risks in accordance with IFRS. The Kemira Code of Conduct contains up-to-date environmental and health and safety guidelines, compliance with law setting the minimum requirement. No significant non-compliance conditions with respect to environmental and safety permits have been brought to the management’s attention.

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

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

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

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

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

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

Human Resources

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

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

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

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

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

Business Areas

Kemira Pulp&Paper

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

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

* 12-month rolling average

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

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

Kemira Pulp&Paper's reported operating profit was EUR 2.2 million (EUR 68.2 million), including non-recurring items with a net impact of EUR -48.2 million (EUR -11.6 million). These non-recurring items were mainly related to the Group's cost savings program and restructuring measures, aimed at improving the profitability of Kemira's pulp and paper chemicals business in the near future. In recent years, Kemira has closed six production plants in North America's mature paper chemical markets, and a seventh is to be shut down during the year underway. Customer deliveries will be handled from other US and Canadian units. In 2008, the decision was taken to shut down the AKD wax production line in Vaasa, Finland, as part of the efficiency-boosting measures implemented.

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

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

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

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

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

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

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

Kemira Water

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

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

* 12-month rolling average

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

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

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

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

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

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

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

Kemira Specialty

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

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

* 12-month rolling average

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

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

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

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

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

Kemira Coatings

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

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

* 12-month rolling average

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

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

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

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

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

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

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

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

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

Other Operations

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

Kemira Oyj Shares and Shareholders

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

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

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

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

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

Board of Directors and Auditors

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

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

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

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

AGM Decisions

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

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

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

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

Kemira Management Appointments

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

Management Boards of Kemira as of October 1, 2008

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

The Strategic Management Board of Kemira Oyj is responsible for the strategy implementation. As of October 1, 2008, the Strategic Management Board consists of: Harri Kerminen (President and CEO), Esa Tirkkonen (deputy CEO), Petri Helsky (Paper), Pekka Ojanpää (Water), Randy Owens (Oil & Mining), Håkan Kylander (EMEA), Hannu Melarti (North America), Hilton Casas (South America), Ronald Kwan (Asia Pacific), Jyrki Mäki-Kala (CFO, IT), Petri Boman (Supply Chain Management), Johan Grön (R&D, Technology), Jukka Hakkila (Legal, Risk Management, Internal Audit), Päivi Jokinen (Marketing and Communications) and Eeva Salonen (Human Resources). Timo Leppä was the Executive Vice President, Group Communications, until January 31, 2009.

Changes in the Group Structure

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

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

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

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

Parent Company's Financial Performance

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

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

Dividend Proposal

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

Outlook

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

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

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

Helsinki, February 24, 2009

Board of Directors

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

For further information, please contact:

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Kemira will hold a press conference on its 2008 results for the media and analysts at its head office (Porkkalankatu 3) today, starting at 10:00 am. The presentation material will be available on Kemira's website at www.kemira.com.

Kemira's annual general meeting will be arranged on Wednesday, April 8, 2009 at 1:00 p.m. in the Marina Congress Center, Katajanokanlaituri 6, Helsinki. Kemira Oyj will publish its interim report for January–March 2009 on Wednesday May 6, 2009 at 9:00 a.m.

KEMIRA GROUP

The figures are unaudited.
All figures in this financial report have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

This Interim Consolidated Financial Statements has been prepared in compliance with IAS 34.

Changes to the accounting policies as of January 1, 2008:
- IFRIC 11 interpretation of IFRS 2 Group and Treasury Share Transactions
- IFRIC 12 (Service Concession Arrangements) interpretation related to service arrangements between public and private sectors

- IFRIC 14 (IAS 19 – The Limit on a defined Benefit Asset, Minimum Funding Requirement and their Interaction) interpretation related to minimun funding requirements of defined benefit arrangements

- Amendments of IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets (effective date July 1, 2008). These amendments apply to reclassification of certain financial assets in certain exceptional situations.

The amendments of the standards and interpretations had no effect on the consolidated financial statements

INCOME STATEMENT **EUR million**	**10-12/2008**	10-12/2007	**2008**	2007
Revenue	**627.6**	654.4	**2,832.7**	2,810.2
Other operating income	**11.6**	26.7	**51.5**	45.9
Expenses	**-637.0**	-649.7	**-2,640.8**	-2,539.2
Depreciation and impairments	**-70.3**	-74.3	**-169.4**	-173.8
Operating profit	**-68.1**	-42.9	**74.0**	143.1
Financial income and expenses, net	**-23.7**	-15.3	**-69.5**	-51.9
Share of profit or loss of associates	**-2.7**	0.2	**-2.7**	2.1
Profit before tax	**-94.5**	-58.0	**1.8**	93.3
Income tax	**26.0**	12.0	**0.0**	-25.8
Net profit for the period	**-68.5**	-46.0	**1.8**	67.5
Attributable to:				
Equity holders of the parent	**-68.6**	-46.8	**-1.8**	63.7
Minority interest	**0.1**	0.8	**3.6**	3.8
Net profit for the period	**-68.5**	-46.0	**1.8**	67.5

BALANCE SHEET
EUR million

ASSETS	**31.12.2008**	31.12.2007
Non-current assets		
Goodwill	**655.1**	626.6
Other intangible assets	**111.6**	112.3
Property, plant and equipment	**765.7**	984.3
Holdings in associates	**135.6**	5.5
Available-for-sale financial assets	**159.8**	102.2
Deferred tax assets	**12.7**	5.2
Defined benefit pension receivables	**54.0**	34.6
Other investments	**11.5**	6.4
Total non-current assets	**1,906.0**	1,877.1
Current assets		
Inventories	**319.3**	311.2
Receivables		
Interest-bearing receivables	**7.6**	3.2
Interest-free receivables	**507.4**	548.1
Total receivables	**515.0**	551.3
Money market investments - cash equivalents	**87.1**	21.4
Cash and cash equivalents	**32.3**	31.2
Total current assets	**953.7**	915.1
Non-current assets held for sale	**0.0**	35.7
Total assets	**2,859.7**	2,827.9

EQUITY AND LIABILITIES	**31.12.2008**	31.12.2007
Equity attributable to equity holders of the parent	**962.8**	1,072.0
Minority interest	**13.2**	15.3
Total equity	**976.0**	1,087.3
Non-current liabilities		
Interest-bearing non-current liabilities	**609.2**	431.1
Deferred tax liabilities	**89.9**	105.5
Pension liabilities	**67.5**	74.2
Provisions	**61.8**	18.8
Total non-current liabilities	**828.4**	629.6
Current liabilities		
Interest-bearing current liabilities	**559.3**	625.0
Interest-free current liabilities	**485.2**	473.6
Provisions	**10.8**	6.2
Total current liabilities	**1,055.3**	1,104.8
Liabilities directly associated with non-current assets classified as held for sale	**-**	6.2
Total liabilities	**1,883.7**	1,740.6
Total equity and liabilities	**2,859.7**	2,827.9

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

CONSOLIDATED CASH FLOW STATEMENT **EUR million**	**10-12/2008**	10-12/2007	**2008**	2007
Cash flows from operating activities				
Adjusted operating profit	**9.6**	18.7	**217.0**	281.1
Interests	**-27.6**	-9.0	**-75.2**	-36.3
Dividend income	**0.9**	0.0	**1.0**	2.0
Income taxes paid	**-5.7**	-11.3	**-23.9**	-35.6
Total funds from operations	**-22.8**	-1.6	**118.9**	211.2
Change in net working capital	**35.9**	59.8	**-28.7**	-39.1
Total cash flows from operating activities	**13.1**	58.2	**90.2**	172.1
Cash flows from investing activities				
Capital expenditure for acquisitions	**-40.4**	-19.4	**-180.8**	-66.6
Other capital expenditure	**-44.7**	-75.7	**-161.0**	-254.4
Proceeds from sale of assets	**9.0**	11.2	**254.3**	-0.2
Net cash used in investing activities	**-76.1**	-83.9	**-87.5**	-321.2
Cash flow after investing activities	**-63.0**	-25.7	**2.7**	-149.1
Cash flows from financing activities				
Change in non-current loans (increase +, decrease -)	**223.5**	-6.3	**426.6**	53.7
Change in non-current loan receivables (decrease +, increase -)	**1.5**	3.2	**-7.1**	2.5
Short-term financing, net (increase +, decrease -)	**-107.7**	12.0	**-282.1**	117.8
Dividends paid	**0.0**	-0.5	**-64.2**	-60.8
Other	**3.2**	9.7	**-9.1**	12.3
Net cash used in financing activities	**120.5**	18.1	**64.1**	125.5
Net change in cash and cash equivalents	**57.5**	-7.6	**66.8**	-23.6
Cash and cash equivalents at end of period	**119.4**	52.6	**119.4**	52.6
Cash and cash equivalents at beginning of period	**61.9**	60.2	**52.6**	76.2
Net change in cash and cash equivalents	**57.5**	-7.6	**66.8**	-23.6

STATEMENT OF CHANGES IN EQUITY
EUR million

	Equity attributable to equity holders of the parent							
	Share capital	Capital paid-in in excess of par value	Fair value and other reserves	Exchange differences	Treasury shares	Retained earnings	Minority interests	Total
Shareholders' equity at January 1, 2007	221.6	257.9	62.7	-30.8	-26.8	585.3	12.6	1,082.5
Available-for-sale assets - change in fair value	-	-	7.2	-	-	-	-	7.2
Exchange differences	-	-	-	-16.3	-	-	0.9	-15.4
Hedge of net investments in foreign entities	-	-	-	6.0	-	-	-	6.0
Cash flow hedging: amount entered in shareholders' equity	-	-	-1.9	-	-	-	-	-1.9
Acquired minority interest	-	-	-	-	-	-	0.4	0.4
Transfer between restricted and non-restricted equity	-	-	0.2	-	-	-0.2	-	0.0
Other changes	-	-	-	-	0.1	0.2	0.2	0.5
Items recognized directly in equity			68.2	-41.1	-26.7	585.3	14.1	1,079.3
Net profit for the period	-	-	-	-	-	63.7	3.8	67.5
Total recognized income and expenses			68.2	-41.1	-26.7	649.0	17.9	1,146.8
Dividends paid	-	-	-	-	-	-58.2	-2.6	-60.8
Share-based compensation	-	-	-	-	-	1.1	-	1.1
Treasury shares issued to key employees	-	-	-	-	0.8	-0.8	-	0.0
Options subscribed for shares	0.2	-	-	-	-	-	-	0.2
Shareholders' equity at December 31, 2007	221.8	257.9	68.2	-41.1	-25.9	591.1	15.3	1,087.3
Shareholders' equity at January 1, 2008	221.8	257.9	68.2	-41.1	-25.9	591.1	15.3	1,087.3
Available-for-sale assets - change in fair value	-	-	35.3	-	-	-	-	35.3
Exchange differences	-	-	-0.4	-72.6	-	-	-1.2	-74.2
Hedge of net investments in foreign entities	-	-	-	9.1	-	-	-	9.1
Cash flow hedging: amount entered in shareholders' equity	-	-	-22.0	-	-	-	-	-22.0
Transfer between restricted and non-restricted equity	-	-	0.5	-	-	-0.5	-	0.0
Other changes	-	-	-0.2	-	-	3.2	-0.9	2.1
Items recognized directly in equity			81.4	-104.6		593.8	13.2	1,037.6
Net profit for the period	-	-	-	-	-	-1.8	3.6	1.8
Total recognized income and expenses			81.4	-104.6		592.0	16.8	1,039.4
Dividends paid	-	-	-	-	-	-60.6	-3.6	-64.2
Share-based compensation	-	-	-	-	-	0.8	-	0.8
Shareholders' equity at December 31, 2008	221.8	257.9	81.4	-104.6	-25.9	532.2	13.2	976.0

Kemira had in its possession 3,854,465 of its treasury shares at December 31, 2008. The number of treasury shares was the same as at the end of the year 2007. Their average acquisition share price was EUR 6.73 and the treasury shares represented 3.1% of the share capital and of the aggregate number of votes conferred by all the shares. The equivalent book value of the treasury shares is EUR 6.8 million.

KEY FIGURES	10-12/2008	10-12/2007	2008	2007
Earnings per share, basic and diluted, EUR	**-0.57**	-0.39	**-0.02**	0.53
Earnings per share excluding write-downs, basic and diluted, EUR	**-0.57**	-0.05	**-0.02**	0.87
Cash flow from operations per share, EUR	**0.10**	0.48	**0.74**	1.42
Capital expenditure, EUR million	**85.1**	95.1	**341.8**	321.0
Capital expenditure / revenue, %	**13.6**	14.5	**12.1**	11.4
Average number of shares (1000), basic *	**121,191**	121,191	**121,191**	121,164
Average number of shares (1000), diluted *	**121,191**	121,191	**121,191**	121,194
Number of shares at the end of the period (1000), basic *	**121,191**	121,191	**121,191**	121,191
Number of shares at the end of the period (1000), diluted *	**121,191**	121,191	**121,191**	121,191
Equity per share, attributable to equity holders of the parent, EUR			**7.94**	8.85
Equity ratio, %			**34.1**	38.6
Gearing, %			**107.5**	92.3
Interest-bearing net liabilities, EUR million			**1,049.1**	1,003.4
Personnel (average)			**9,954**	10,008

* Number of shares outstanding, excluding the number of shares bought back.

REVENUE BY BUSINESS AREA EUR million	10-12/2008	10-12/2007	2008	2007
Kemira Pulp&Paper	**258.3**	253.6	**1,057.7**	1,043.0
Kemira Water	**190.6**	180.3	**760.0**	686.4
Kemira Specialty	**63.7**	102.0	**375.3**	425.9
Kemira Coatings	**103.5**	118.4	**648.1**	625.2
Other and Intra-Group sales	**11.5**	0.1	**-8.4**	29.7
Total	**627.6**	654.4	**2,832.7**	2,810.2

OPERATING PROFIT BY BUSINESS AREA EUR million	10-12/2008	10-12/2007	2008	2007
Kemira Pulp&Paper	**-38.0**	-1.8	**2.2**	68.2
Kemira Water	**-12.7**	3.8	**10.9**	43.6
Kemira Specialty	**9.8**	-13.9	**36.4**	13.5
Kemira Coatings	**-12.6**	-5.9	**59.2**	73.1
Other including eliminations	**-14.6**	-25.1	**-34.7**	-55.3
Total	**-68.1**	-42.9	**74.0**	143.1

CHANGES IN PROPERTY, PLANT AND EQUIPMENT EUR million	2008	2007
Carrying amount at beginning of year	**984.3**	987.1
Acquisitions of subsidiaries	**6.3**	14.3
Increases	**127.9**	215.7
Decreases	**-9.4**	-2.5
Disposal of subsidiaries	**-168.1**	-7.8
Depreciation and impairments	**-144.5**	-133.2
Exchange rate differences and other changes	**-30.8**	-89.3
Net carrying amount at end of period	**765.7**	984.3

CHANGES IN INTANGIBLE ASSETS EUR million	2008	2007
Carrying amount at beginning of year	**738.9**	689.9
Acquisitions of subsidiaries	**36.3**	32.2
Increases	**24.3**	30.4
Decreases	**-**	-0.3
Disposal of subsidiaries	**-8.1**	-0.1
Depreciation and impairments	**-24.9**	-40.6
Exchange rate differences and other changes	**0.2**	27.4
Net carrying amount at end of period	**766.7**	738.9

CONTINGENT LIABILITIES

EUR million	**31.12.2008**	31.12.2007
Mortgages	**43.3**	62.1
Assets pledged		
On behalf of own commitments	**5.2**	6.0
Guarantees		
On behalf of own commitments	**14.1**	8.3
On behalf of associates	**1.2**	1.4
On behalf of others	**5.5**	2.8
Operating leasing liabilities		
Maturity within one year	**20.9**	22.4
Maturity after one year	**115.0**	129.0
Other obligations		
On behalf of own commitments	**2.6**	0.4
On behalf of associates	**1.9**	2.3

Major off-balance sheet investment commitments

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

Litigation

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

RELATED PARTY

The joint venture between Kemira Oyj and Rockwood Holdings, Inc. began operating in the beginning of September. This joint venture combines Kemira's and Rockwood's titanium dioxide business and Rockwood's functional additives business. The venture is 61 per cent owned by Rockwood and 39 per cent owned by Kemira.
Transactions with other related parties have not changed materially after annual closing 2007.

DERIVATIVE INSTRUMENTS

EUR million		**31.12.2008**		31.12.2007
	Nominal value	**Fair value**	Nominal value	Fair value
Currency instruments				
Forward contracts	**427.6**	**11.7**	942.9	-1.4
of which hedges of net investment in a foreign operation	**-**	**-**	-	-
Currency options				
Bought	**-**	**-**	65.5	0.1
Sold	**-**	**-**	57.8	0.2
Currency swaps	**27.6**	**-5.6**	147.2	6.5
Interest rate instruments				
Interest rate swaps	**338.8**	**-6.9**	174.0	2.3
of which cash flow hedge	**304.4**	**-6.5**	164.0	2.0
Interest rate options				
Bought	**110.0**	**-0.1**	10.0	-
Sold	**-**	**-**	-	-
Bond futures	**10.0**	**0.0**	10.0	0.2
of which open	**10.0**	**0.0**	10.0	0.2
Other instuments		**Fair value**		Fair value
Electricity forward contracts, bought, GWh	**1431.5**	**-10.7**	833.6	10.0
of which cash flow hedge, GWh	**1378.9**	**-9.7**	833.6	10.0
Electricity forward contracts, sold, GWh	**52.6**	**1.2**	-	-
of which cash flow hedge, GWh	**-**	**-**	-	-
Natural gas hedging, K tons	**15.6**	**-2.0**	-	-
of which cash flow hedge	**15.6**	**-2.0**	-	-
Salt derivatives (k tons)	**212.8**	**2.0**	-	-

The fair values of the instruments which are publicly traded are based on market valuation on the date of reporting. Other instruments have been valuated based on net present values of future cash flows. Valuation models have been used to estimate the fair values of options.

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

BUSINESS COMBINATIONS

Nheel Quimica Ltda

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

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

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

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

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

Aggregate of business acquisitions

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

These business combinations are individually immaterial.

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

Effect of business combinations on revenue and profit

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

QUARTERLY INFORMATION

EUR million	**2008 Q4**	**2008 Q3**	**2008 Q2**	**2008 Q1**	2007 Q4	2007 Q3	2007 Q2	2007 Q1
Revenue								
Kemira Pulp&Paper	**258.3**	**281.9**	**253.6**	**263.9**	253.6	259.7	267.0	262.7
Kemira Water	**190.6**	**202.3**	**187.6**	**179.5**	180.3	175.0	173.2	157.9
Kemira Specialty	**63.7**	**95.8**	**108.8**	**107.0**	102.0	109.8	110.6	103.5
Kemira Coatings	**103.5**	**193.7**	**205.7**	**145.2**	118.4	182.3	188.7	135.8
Other and intra-Group sales	**11.5**	**6.3**	**-14.2**	**-12.0**	0.1	2.7	13.5	13.4
Total	**627.6**	**780.0**	**741.5**	**683.6**	654.4	729.5	753.0	673.3
Operating profit								
Kemira Pulp&Paper	**-38.0**	**14.5**	**10.1**	**15.6**	-1.8	23.8	23.3	22.9
Kemira Water	**-12.7**	**8.9**	**5.5**	**9.2**	3.8	14.7	13.1	12.0
Kemira Specialty	**9.8**	**21.2**	**1.6**	**3.8**	-13.9	10.0	7.1	10.3
Kemira Coatings	**-12.6**	**30.4**	**29.7**	**11.7**	-5.9	38.9	27.3	12.8
Other including eliminations	**-14.6**	**-5.2**	**-7.6**	**-7.3**	-25.1	-7.9	-13.2	-9.1
Total	**-68.1**	**69.8**	**39.3**	**33.0**	-42.9	79.5	57.6	48.9
Operating profit, excluding non-recurring items								
Kemira Pulp&Paper	**9.4**	**15.3**	**10.1**	**15.6**	12.3	22.6	23.3	21.6
Kemira Water	**7.4**	**9.0**	**5.5**	**6.8**	6.9	14.7	13.1	12.0
Kemira Specialty	**11.4**	**7.1**	**1.6**	**3.8**	-2.0	8.7	7.1	10.3
Kemira Coatings	**-12.6**	**30.4**	**29.7**	**11.7**	-3.5	27.7	27.3	12.8
Other including eliminations	**-3.9**	**-5.3**	**-9.7**	**-10.7**	-9.6	-7.9	-14.2	-8.6
Total	**11.7**	**56.5**	**37.2**	**27.2**	4.1	65.8	56.6	48.1

DEFINITIONS OF KEY FIGURES

Earnings per share (EPS)

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

Cash flow from operations

Cash flow from operations, after change in net working capital and before investing activities

Cash flow from operations per share

$$\frac{\text{Cash flow from operations}}{\text{Average number of shares}}$$

Equity per share

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

Equity ratio, %

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

Gearing, %

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

Interest-bearing net liabilities

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

Return on capital employed (ROCE), %

$$\frac{\text{Operating profit + share of profit or loss of associates x 100}}{\text{(Net working capital + property, plant and equipment available for use + intangible assets + investments in associates) *}}$$

* Average