Financial Statements 2013

Kemira

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Financial Statements 2013

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Board of Directors' Review 2013

Revenue in 2013 was EUR 2,229 million (2012: EUR 2,241 million). Organic revenue growth was 3% driven by higher sales volumes. Operative EBIT increased 6% to EUR 164.2 million (155.5) with a margin of 7.4% (6.9%) driven by higher sales volumes and fixed cost savings related to "Fit for Growth" restructuring program. The reported earnings per share were reduced to EUR –0.21 (0.12) mainly due to a write-down of EUR 23 million related to the divestment of the shares of Kemira's JV Sachtleben, lower income from associated companies and higher taxes. Operative earnings per share decreased to EUR 0.70 (0.77) mainly due to the lower income from associated companies. The Board of Directors proposes a cash dividend of EUR 0.53 per share (0.53), equaling a total of EUR 81 million (81).

KEY FIGURES AND RATIOS (FIGURES FOR 2012 WERE RESTATED ON MARCH 25, 2013)

EUR million	Jan–Dec 2013	Jan–Dec 2012
Revenue	**2,229.1**	2,240.9
Operative EBITDA	**251.9**	249.4
Operative EBITDA, %	**11.3**	11.1
EBITDA	**141.9**	179.9
EBITDA, %	**6.4**	8.0
Operative EBIT	**164.2**	155.5
Operative EBIT, %	**7.4**	6.9
EBIT	**42.6**	33.1
EBIT, %	**1.9**	1.5
Share of profit or loss of associates	**–1.1**	11.2
Financing income and expenses	**-39.0**	–15.7
Profit before tax	**2.5**	28.6
Net profit	**–25.9**	22.4
Earnings per share, EUR	**–0.21**	0.12
Operative earnings per share, EUR	**0.70**	0.77
Capital employed *	**1,366.5**	1,673.0
ROCE *	**3.0**	2.6
Capital expenditure	**197.5**	134.1
Cash flow after investing activities	**195.7**	71.8
Equity ratio, % at period-end	**51**	51
Gearing, % at period-end	**41**	42
Personnel at period-end	**4,453**	4,857

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

Definitions of key figures are available at www.kemira.com > Investors > Financial information. Comparative 2012 figures are provided in parentheses for some financial results, where appropriate. Operating profit, excluding non-recurring items, is referred to as Operative EBIT. Operating profit is referred to as EBIT.

FINANCIAL PERFORMANCE, FULL YEAR 2013

Kemira Group's **revenue** was EUR 2,229.1 million (2,240.9). Organic revenue growth was 3% driven by higher sales volumes. Sales price changes did not have material impact on revenues.

Some of the main foreign currencies affecting Kemira's financials depreciated against the euro in 2013, such as the US dollar (–3%), Brazilian real (–14%), and Canadian dollar (–7%). The negative currency exchange rate related translation impact on Kemira's revenue was –2% or approximately EUR 50 million. Kemira made two acquisitions in 2013 of which 3F was closed on October 1 and Soto Industries on September 19. The impact of the acquisitions on Kemira's revenue was close to EUR 20 million (less than 1%).

During the year, Kemira shifted its focus towards differentiated product lines according to the company's strategy. This resulted in the divestments of several commodity product line based businesses, like chemicals to food and pharmaceutical industries (closed on March 1), aluminium and coagulant business in Brazil (closed on December 11), chemical distribution business in Denmark (closed on January 2, 2014, after the review period), formic acid and its derivatives business in Finland (closing expected in the first quarter of 2014) and some other small commodity chemical businesses in Denmark and Romania. The impact of the divestments on Kemira's revenue was –2% or approximately EUR 50 million in 2013.

In the Paper segment, revenues increased 6% to EUR 1,067.6 million (1,005.6). Revenue growth in local currencies, excluding acquisitions and divestments, was 8%, driven by higher sales volumes. Sales price changes had a negligible impact on revenues. Currency exchange impacted revenues by –2%.

In the Municipal & Industrial segment, revenues decreased 4% to EUR 659.4 million (686.6). Revenue in local currencies, excluding acquistions and divestments, decreased 2%, driven by lower sales volumes. Sales price changes did not have a material impact on revenues. Acquisition had 1% impact and divestments –1% impact on revenues. Currency exchange impacted by –2%.

In the Oil & Mining segment, revenues decreased 3% to EUR 311.5 million (321.1). Revenue in local currencies, excluding acquisitions and divestments decreased 2% mainly due to the –3% impact of continued exit of some low margin product sales. The termination of low margin products was completed at the end of the third quarter of 2013. Sales volumes of differentiated products like polymers recovered, especially in the NAFTA region and could partly compensate for the negative impact of unfavorable pricing. The impact of the 3F acquisition on revenue was 2% and the impact of currency exchange –3%.

In the ChemSolutions segment, revenues decreased 16% to EUR 190.6 million (227.6). The divestment of the food and pharmaceuticals businesses had an impact of –18% on revenues. Revenues in local currencies, excluding divestments increased slightly as higher sales volumes could more than offset the impact of the somewhat lower sales prices. Currency exchange had a –1% impact on revenue.

Geographically, the revenue was split as follows: EMEA 57% (55%), North America 30% (31%), South America 7% (8%), and Asia Pacific 6% (6%). According to the sharpened strategy presented in April 2013, mature markets continue to be important for Kemira's all segments, whereas the focus in the emerging markets is on selective expansion. In the emerging markets, China and Indonesia are the key markets for the paper wet-end chemistry. Brazil and Uruguay will remain important markets for the bleaching chemicals used in pulp industry. Oil & Mining is targeting expansion in selected countries in South America as well as in the Middle East and Africa.

REVENUE

EUR million	Jan–Dec 2013	Jan–Dec 2012	Δ%
Paper	**1,067.6**	1,005.6	6
Municipal & Industrial	**659.4**	686.6	–4
Oil & Mining	**311.5**	321.1	–3
ChemSolutions	**190.6**	227.6	–16
Total	**2,229.1**	2,240.9	–1

The EBIT increased 29% to EUR 42.6 million (33.1) as lower EBITDA of EUR 141.9 million (179.9) was more than offset by lower depreciations of EUR 99.3 million (146.8).

Non-recurring items affecting the EBIT were EUR 121.6 million (122.4). Write-down related to the divestment of Kemira's iron and aluminium coagulants business in Brazil amounted to EUR 43 million. Restructuring charges, related to continuous efficiency improvement measures amounted to approximately EUR 30 million. Restructuring charges and provisions related to the closure of the Vaasa process chemicals site amounted to EUR 24 million. Restructuring charges related to the establishment of the multifunction Business Service Center in Gdansk, Poland, amounted to EUR 13 million. Write-downs related to smaller disposals in Municipal & Industrial amounted to EUR 9 million. "Fit for Growth"-related write-downs, severance payments, and external service costs amounted to EUR 5 million. The comparable period in 2012 included "Fit for Growth" severance payments and costs related to external services of EUR 41 million and asset write-downs of EUR 30 million. Other, non "Fit for Growth" related, non-recurring items included the write-down of EUR 18 million from the divestment of Kemira's food and pharmaceutical businesses and charges of EUR 33 million related to environmental liabilities, efficiency improvements, as well as streamlining of Kemira's operations (see non-recurring items table on page 3).

NON-RECURRING ITEMS

EUR million	Jan–Dec 2013	Jan–Dec 2012
Within EBITDA	**110.1**	69.5
Paper	**32.6**	24.1
Municipal & Industrial	**68.8**	30.0
Oil & Mining	**8.1**	9.4
ChemSolutions	**0.6**	6.0
Within depreciations, amortization and impairment losses	**11.5**	52.9
Paper	**8.2**	6.4
Municipal & Industrial	**0.5**	25.8
Oil & Mining	**2.8**	2.3
ChemSolutions	**–**	18.4
Total	**121.6**	122.4

The operative EBIT increased 6% to EUR 164.2 million (155.5), mainly due to a positive sales volumes impact of EUR 32 million. Sales price changes had EUR –9 million impact on operative EBIT.

Variable costs increased by EUR 8 million mainly due to higher propylene and electricity-related raw material costs. Fixed costs decreased EUR 11 million mainly due to the Fit for Growth-related savings and other efficiency measures.

Currency exchange had a negative impact of EUR 6 million on the operative EBIT. Divestments in ChemSolutions and Municipal & Industrial had EUR –6 million and other items EUR –7 million impact on the operative EBIT (see variance analysis on page 4). Acquisition of 3F and increased manufacturing related costs were main reasons for the negative impact.

The operative EBIT margin improved to 7.4% (6.9%).

"Fit for Growth"-related cost savings were EUR 46 million and almost reached the full cost savings run rate of EUR 60 million on an annualized basis at the end of 2013.

VARIANCE ANALYSIS

EUR million	Jan–Dec
Operative EBIT, 2012	**155.5**
Sales volumes	31.7
Sales prices	–8.7
Variable costs	–7.8
Fixed costs	11.3
Currency exchange	–5.5
Others, incl. acquisitions and divestments	–12.3
Operative EBIT, 2013	**164.2**

OPERATIVE EBIT

	Jan–Dec 2013 EUR, million	Jan–Dec 2012 EUR, million	Δ%	Jan–Dec 2013 %-margin	Jan–Dec 2012 %-margin
Paper	**86.5**	75.3	15	**8.1**	7.5
Municipal & Industrial	**45.8**	39.2	17	**6.9**	5.7
Oil & Mining	**17.4**	25.9	–33	**5.6**	8.1
ChemSolutions	**14.5**	15.1	–4	**7.6**	6.6
Total	**164.2**	155.5	6	**7.4**	6.9

Income from associated companies decreased to EUR –1.1 million (11.2) as a result of lower net profits of the specialty titanium dioxide producer Joint Venture Sachtleben GmbH. Kemira divested its shares in the JV Sachtleben in February 2013.

Financing income and expenses totaled EUR –39.0 million (–15.7). Financing expenses included the non-recurring write-down of EUR 23 million related to the divestment of Kemira's shares (39%) in the JV Sachtleben. The changes of EUR 3.2 million (–2.3) in fair values of electricity derivatives and the currency exchange differences of EUR 2.5 million (0.0) had positive impacts on the financing income and expenses. The comparable period in 2012 included a EUR 7.6 million dividend from Pohjolan Voima Oy (PVO), the Finnish electricity company.

Total **taxes** increased to EUR 28.4 million (6.2), mainly due to non-deductible write-downs. The tax rate, excluding non-recurring items affecting the EBIT and income from associated companies increased to 24.9% (20.6%). Comparable period in 2012 included positive impacts related to changes in deferred tax assets and liabilities. Income taxes decreased to EUR 25.6 million (29.8).

Net profit attributable to the owners of the parent company decreased to EUR –31.6 million (17.7) and the earnings per share to EUR –0.21 (0.12) mainly due to a write-down of EUR 23 million related to the divestment of the shares of Kemira's JV Sachtleben, lower income from associated companies and higher taxes. Earnings per share, excluding non-recurring items, decreased 9% to EUR 0.70 (0.77), mainly due to the lower income from the associated companies.

FINANCIAL POSITION AND CASH FLOW

Cash flow from the operating activities in 2013 increased to EUR 200.3 million (176.3) mainly due to favorable changes in net working capital and lower interest and tax payments. The comparable period included in total EUR 15 million dividends received from PVO and JV Sachtleben. Cash flow after investing activities increased to EUR 195.7 million (71.8), mainly due to the proceeds of EUR 98 million received from the divestment of the shares in JV Sachtleben, EUR 80 million received from the divestment of the food and pharmaceuticals businesses and EUR 8 million received from the divestment of coagulant business in Brazil. The acquisition of 3F in Italy and USA had a cash flow impact of EUR –59 million. The comparable period of 2012 included EUR 27 million paid-in-capital from JV Sachtleben. The net working capital ratio decreased to 10.9% of the revenue (12.8% on December 31, 2012), mainly due to lower receivables and inventories as well as higher payables.

At the end of the period, Kemira Group's net debt was EUR 456 million (532 on December 31, 2012). Net debt decreased mainly due to the total proceeds of the divestments. Acquisition of 3F and the dividend payment of EUR 81 million in April increased the net debt.

At the end of the period, interest-bearing liabilities totaled EUR 558 million (665 on December 31, 2012). Fixed-rate loans accounted for 60% of the net interest-bearing liabilities (56% on December 31, 2012). The average interest rate of the Group's interest-bearing liabilities was 1.5% (1.6% on December 31, 2012). The duration of the Group's interest-bearing loan portfolio was 14 months (16 months on December 31, 2012). In August 2013, Kemira signed a 5+1+1-year revolving credit facility of EUR 400 million, which replaced an undrawn EUR 300 million credit facility. In addition, Kemira signed EUR 45 million term loan with European Investment Bank (EIB). The new credit facility and loan with EIB remains undrawn at the end of the period.

Short-term liabilities maturing in the next 12 months amounted to EUR 278 million, the commercial papers of which, issued in the Finnish market, represented EUR 164 million and the short term part of the long-term loans represented EUR 58 million. Cash and cash equivalents totaled EUR 102 million on December 31, 2013 (133).

At the end of the period, the equity ratio was 51% (51% on December 31, 2012), while the gearing was 41% (42% on December 31, 2012). Shareholder's equity decreased to EUR 1,125.5 million (1,260.6 on December 31, 2012) mainly due to the EUR 81 million dividend distribution and EUR –27 million change in the fair value of Kemira's ownership in Pohjolan Voima Group shares. Fair value decreased mainly as a consequence of the lower electricity price in Finland in 2013.

The Group's most significant transaction currency risk arises from the Swedish krona and the Canadian dollar. At the end of the year, the denominated 12-month exchange rate risk of Swedish krona had an equivalent value of approximately EUR 33 million, 79% of which was hedged on an average basis. Correspondingly, the CAD denominated exchange rate risk was approximately EUR 30 million, 42% of which was hedged on an average basis. In addition, Kemira is exposed to smaller transaction risks in relation to the British pound and the Norwegian krona and the U.S. dollar with the total annual exposure in these currencies being approximately EUR 30 million, 60% of which was hedged on an average basis.

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

CAPITAL EXPENDITURE

Capital expenditure, including an acquisition of 3F and an EUR 4 million investment into PVO shares, increased 47% to EUR 197.5 million (134.1) in 2013.

Capex (excl. the 3F acquisition and investment into PVO shares) was EUR 134.8 million (134.1) in 2013 and can be broken down as follows: expansion capex 52% (44%), improvement capex 26% (29%), and maintenance capex 22% (27%). Expansion investments were mainly focused on the greenfield sites Nanjing, Dormagen and Tarragona. Prior to the launch of the "Fit for Growth" restructuring program in July 2012, the number of Kemira's manufacturing sites was 74. Including the decided closures of manufacturing sites related to the "Fit for Growth" program, as well as acquisitions and divestments announced in 2013, the number of Kemira's manufacturing sites has decreased from 74 to 59. Maintenance and improvement capex decreased due to the site closures.

In January–December 2013, the Group's depreciation and impairments decreased to EUR 99.3 million (146.8). Comparable period in 2012 included non-recurring impairments and write-downs of EUR 53 million mainly related to "Fit for Growth" restructuring program.

RESEARCH AND DEVELOPMENT

The Research and Development expenses totaled EUR 32.1 million (36.7) in 2013, representing 1.4% (1.6%) of Kemira Group's revenue.

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

Kemira Group's target is to increase the revenue from new products and products for new applications. The share of innovation revenue (revenue from new products or from products to new applications launched within the past five years) in Kemira's revenue increased to approximately 7% (5%) in 2013.

During the year, Kemira completed the expansion of its Fennobind binder production capacity in continental Europe. With the increased capacity, Kemira is preparing the launch of its second-generation Fennobind products. Fennobind's patented technology allows lower manufacturing costs for paper and board producers.

Other recently launched products in the Paper segment that contributed to Kemira's innovation sales include FennoBond product family. FennoBond gives board makers the cost advantages of either going to a lower grammage, while retaining strength, or using a higher percentage of lower-quality recycled fiber. For graphical papermakers FennoBond offers the opportunity to increase filler loading while maintaining runnability and printability. FennoBond is also used in tissue and towel manufacturing to achieve an optimal wet/dry balance. The extra strength from FennoBond can also be utilized to reduce refining, resulting in improved softness and less dust.

Oil & Mining segment focused on stimulation and squeeze applications in the Oil and Gas sector, including friction reducers and microbial control enhancements. Kemira also launched its first tagged scale inhibitor products that enable on-site measurement of residual scale inhibitor levels at oil and gas wells. The new technology is targeting offshore wells where an accurate, timely control of inhibitor concentrations is vital in maintaining efficient operation. In mining, Kemira's ability to tailor make binders that minimize the need for bentonite is well received by the industry.

Many other innovation projects are reaching the commercialization phases, and we are focusing on finalization and commercialization of such products.

SUSTAINABILITY

In 2013, Kemira will publish its third annual corporate responsibility report in connection with its Annual Report. The corporate responsibility report 2013 is verified by a third party and prepared in accordance with the GRI (Global Reporting Initiative) framework. It deals with economic, environmental and social aspects defined material for Kemira, as well as reflects on Kemira's performance in relation to the sustainability targets published in Kemira's Annual & Sustainability Report 2012. Kemira's sustainability targets are presented in the following tables.

SUSTAINABILITY COMMITMENT	SUSTAINABILITY TARGET	KPI FOR PERFORMANCE MEASUREMENT
SUPPLIERS		
We work together with responsible suppliers, distributors and agents	Effective use of Code of Conduct for Suppliers, Distributors and Agents (CoC-SDA) in all relevant supplier relationships by the end of 2013	Supplier contracts with signed CoC-SDA as attachement, %
	Active Supplier Performance management program in place by the end of 2013	Average performance of core suppliers (75% of spend), performance rate, %
		Share of reviewed suppliers under certain performance level (corrective actions agreed), Number of supplier audits per year
EMPLOYEES		
We require ethical behaviour from our employees	All Kemira employees covered by Kemira Code of Conduct (CoC) training by the end of 2013	Kemira employees completed Kemira CoC training, %
We enhance performance management	All Kemira employees covered by the global Performance Management process by the end of 2014	Kemira employees covered by the global Performance Management process, %
We promote leadership development	Every people manager participates in leadership development programs at least once every 3 years, first target period 2013-2015	People managers covered by global leadership programs, cumulative, %
OPERATIONS		
We improve occupational health & safety	Achieve zero accidents	Total Recordable Injuries (TRI) employees and contractors
We improve water efficiency in manufacturing	Baseline analyzed and water efficiency program defined by the end of 2014	To be defined by the end of 2014
We improve energy efficiency in manufacturing	Baseline set and the energy efficiency index defined by the end of 2013	To be defined by the end of 2013

SUSTAINABILITY COMMITMENT	SUSTAINABILITY TARGET	KPI FOR PERFORMANCE MEASUREMENT
CUSTOMERS		
We develop and propose sustainable solutions for our customers	Sustainability and safety aspects considered in all New Product Development (NPD) projects by the end of 2014	All new projects apply the sustainability check in Gate 1, %
		Existing projects apply the sustainability check in Gates 2-4, %
LOCAL COMMUNITIES		
We are involved in communities where we operate	Each Kemira site with over 50 employees has participated in local community involvment initiatives at least once by the end of 2015	Kemira sites (over 50 employees) with local community initiatives, cumulative %

Kemira updated the corporate responsibility focus areas and targets in 2013 based on Kemira's sharpened strategy and stakeholder feedback. The updated corporate responsibility focus areas and targets were approved by the Kemira Management Board in January 2014. The focus areas, targets, performance against the targets and Key Performance Indicators (KPI) will be discussed in more detail in Kemira's Corporate Responsibility Report that will be published as part of the Kemira Annual Report 2013.

Kemira was recognized for the first time in the CDP Nordic Climate Disclosure Leadership Index in 2013. Kemira achieved a score of 96 out of 100 in the index that measures the disclosure of information regarding climate change.

In 2013, provisions for environmental remediation totaled EUR 22.2 million (19.7). The biggest provisions relate to the waste piling area in Pori, sites closures and to the limited reconditioning of the sediment of a lake adjacent to the Vaasa plant.

Kemira registered 29 substances under EU Chemical regulation (REACH) in 2013. Preparations for the third deadline of REACH of 2018 have started. The preparation for Globally Harmonized System of Classification and Labelling of Chemicals (GHS) proceeded according to plans. New requirements of supply chain product safety communication have significantly intensified the information exchange with the customers and suppliers. The implementation of REACH or ensuring other product compliance is not expected to have a major impact on Kemira's financial results, and the registration costs are expected to stay on the level of 2013 over the next few years. In 2013, the costs of product compliance were related mostly to the REACH registrations.

HUMAN RESOURCES

At the end of the year, Kemira Group had 4,350 permanent employees (4,762 on December 2012) and 103 temporary employees (95). Kemira employed 961 people in Finland (1,114), 1,634 people elsewhere in EMEA (1,690), 1,281 in North America (1,279), 237 in South America (423), and 340 in Asia Pacific (351).

SEGMENTS

PAPER

Paper has unique expertise in applying chemicals and supporting pulp & paper producers to innovate and constantly improve their operational efficiency. We develop and commercialize new products to fulfill customer needs and to ensure the leading portfolio of products and services for paper wet-end, focusing on packaging and board, as well as tissue. We leverage our strong pulp & paper application portfolio in North America and EMEA and build a strong position in China, Indonesia and Brazil.

EUR million	Jan–Dec 2013	Jan–Dec 2012
Revenue	**1,067.6**	1,005.6
Operative EBITDA	**130.3**	117.5
Operative EBITDA, %	**12.2**	11.7
EBITDA	**97.7**	93.3
EBITDA, %	**9.1**	9.3
Operative EBIT	**86.5**	75.3
Operative EBIT, %	**8.1**	7.5
EBIT	**45.7**	44.7
EBIT, %	**4.3**	4.4
Capital employed *	**758.0**	777.2
ROCE *	**6.0**	5.8
Capital expenditure	**75.2**	72.2
Cash flow after investing activities	**55.9**	8.1

*) 12-month rolling average

Paper segment's **revenue** increased 6% to EUR 1,067.6 million (1,005.6). The revenues in local currencies and excluding acquisitions and divestments grew 8% due to the sales volume growth, especially in polymers, sizing agents and other differentiated process chemicals. Sales price changes did not have a material impact on revenues. Currency exchange had a –2% impact.

Paper segment's revenues in **EMEA** increased 11% to EUR 606.3 million (546.5) driven by increased sales volumes of the two biggest differentiated product lines, polymers and sizing, as well as other process chemicals and bleaching chemicals. During the year, Kemira started four new AKD sizing production lines of which two in the EMEA region, one in NAFTA and one in APAC. New production lines support Kemira to better serve its big sizing customers in the various regions. Growth of other process chemicals sales volumes was supported by increased Fennobind binder capacity that was succesfully ramped up in the continental Europe in 2013.

In **NAFTA**, revenues, excluding the –4% currency exchange impact, increased 7% to EUR 294.7 million (286.2). Growth was mainly driven by the increased differentiated chemicals sales volumes, as well as somewhat higher sales prices. In September, Kemira announced the acquisition of Soto Industries Inc. (Vancouver, Canada). Soto supplies a broad range of differentiated chemicals including digester scale control, silicone and oil-based defoamers, as well as polymers used in green liquor clarification and effluent treatment for pulp and papermaking.

In **SA**, revenues in local currencies grew nearly 7% to EUR 75.8 million (77.3), supported by sales volume growth in all main product lines. In July, Kemira completed the expansion of its hydrogen peroxide plant in Fray Bentos, Uruguay to serve the growing demand of the product in the SA region.

In **APAC**, sales volumes recovered during the year, but revenues declined approximately 5% to EUR 90.8 million (95.6), mainly due to lower market prices for fatty acid and thus lower sales prices for AKD wax, as well as unfavorable currency exchange. In December, Kemira started the test production of defoamer and deinking agents in its new production site in Nanjing, China. Production of the most important product line at the site, ASA sizing, is expected to start in the first quarter of 2014 and full scale production capacity is expected during the second quarter of 2014.

Operative EBIT increased 15% to EUR 86.5 million (75.3) as a result of higher sales volumes. Variable and fixed costs remained at the level of 2012. Currency exchange had EUR –4 million impact. The operative EBIT margin improved to 8.1% (7.5%).

MUNICIPAL & INDUSTRIAL

M&I is a leading water chemicals supplier for raw and waste water applications in EMEA and North America, and aims to capture selected growth opportunities in emerging markets. We enable our municipal and industrial customers to improve their water treatment efficiency by supplying them with competitive, high-performing products and value adding application support.

EUR million	Jan–Dec 2013	Jan–Dec 2012
Revenue	**659.4**	686.6
Operative EBITDA	**68.3**	64.0
Operative EBITDA, %	**10.4**	9.3
EBITDA	**–0.5**	34.0
EBITDA, %	**–0.1**	5.0
Operative EBIT	**45.8**	39.2
Operative EBIT, %	**6.9**	5.7
EBIT	**–23.4**	–16.5
EBIT, %	**–3.6**	–2.4
Capital employed *	**309.2**	374.4
ROCE *	**–7.6**	–4.4
Capital expenditure	**46.9**	31.7
Cash flow after investing activities	**36.7**	39.2

*) 12-month rolling average

The Municipal & Industrial segment's **revenue** decreased 4% to EUR 659.4 million (686.6). The revenues in local currencies and excluding acquisitions and divestments decreased by 2% due to the lower sales volumes, that could only partly be compensated by the higher sales prices. Currency exchange had an impact of –2%. Acquisition had a 1% impact and divestments a –1% impacts on revenues.

In **EMEA**, revenue remained nearly unchanged and was EUR 405.0 million (407.3). Sales volumes of water treatment chemicals grew slightly and could partly compensate for the somewhat lower sales prices. In September, Kemira announced that in line with its strategy, Municipal & Industrial has started the implementation of a new business model, driven by a more streamlined organization. The new organization has resulted in a reduction of approximately 50 employees and in a more focused R&D portfolio. The new business model includes customer segmentation based on customer needs and buying behaviour. The streamlined organization and the new business model are expected to result in more than EUR 5 million annual savings once fully implemented. In addition, Kemira sold some small commodity chemical product lines in Romania, and some small commodity chemical product lines, including a chemical distribution business in Denmark (closed on January 2, 2014) in the second half of 2013.

In **NAFTA**, revenue decreased 7% in local currencies to EUR 189.7 million (212.1). Lower sales volumes had negative impact on revenue while operative EBIT margin improved through a better product mix.

In December, Kemira divested its iron and aluminium coagulant business in Brazil. The divestment of the coagulant business in Brazil is in line with the Municipal & Industrial strategic focus on profitability improvement and cash flow maximization.

In April, Kemira decided to close its office in Hyderabad, India. At the same time, together with its joint venture partner, Kemira started to evaluate the possible future options for coagulant manufacturing joint venture facility in Vizag, India.

Operative EBIT increased 17% to EUR 45.8 million (39.2). "Fit for Growth" savings were the main reason for the improved profitability. Higher sales volumes and changes in sales prices also had positive impacts on the operative EBIT. Variable costs increased EUR 10 million, driven mainly by the higher propylene based raw material costs. The operative EBIT margin improved to 6.9% (5.7%). In November 2013, Kemira started test production in its coagulant plant in Dormagen, Germany. The investment will further strengthen Kemira's manufacturing network in Western Europe and secure a long-term, cost-efficient access to hydrochloric acid, the key raw material for coagulants.

OIL & MINING

O&M provides a unique combination of innovative chemicals and application knowledge that improves process efficiency and yield in oil, gas and metals recovery. We use our in-depth understanding of extraction processes to tailor solutions for water management and re-use. Expanding from our position in North America and EMEA, we continue to build a strong base for growth in South America, Middle East, and Africa.

EUR million	Jan–Dec 2013	Jan–Dec 2012
Revenue	**311.5**	321.1
Operative EBITDA	**32.7**	40.6
Operative EBITDA, %	**10.5**	12.6
EBITDA	**24.6**	31.2
EBITDA, %	**7.9**	9.7
Operative EBIT	**17.4**	25.9
Operative EBIT, %	**5.6**	8.1
EBIT	**6.5**	14.2
EBIT, %	**2.1**	4.4
Capital employed *	**188.2**	177.7
ROCE *	**3.5**	8.0
Capital expenditure	**69.8**	20.2
Cash flow after investing activities	**–60.6**	–5.3

*) 12-month rolling average

Oil & Mining segment's **revenue** decreased 3% to EUR 311.5 million (321.1) including the impact of 3% of the previously reported carryover on the termination of low margin product sales. The revenue in local currencies, excluding the impact of exited product sales and acquisitions, remained at the same level as in 2012. Acquisition of 3F had 2% positive impact and currency exchange –3% impact on revenues.

In **NAFTA**, revenue in local currencies increased close to 10% to EUR 175.4 million (167.8), mainly due to the sales volume growth of polymers and other process chemicals. The acquisition of 3F in October 2013 had a 4% positive impact on revenues. 3F produces dry and emulsion polyacrylamide polymers and related process chemicals, supported by backward integrated key intermediates, such as bio-acrylamide and cationic monomers. Oil & Mining segment uses the 3F products in drilling, extraction and stimulation in the oil & gas industry and in production optimization in the mining industry.

In **EMEA**, revenue declined 9% to EUR 104.6 million (115.3) as a result of lower sales volumes and sales prices. Continued softness of the mining industry was the main reason for the lower sales activity.

The operative EBIT decreased 33% to EUR 17.4 million (25.9) as a result of lower revenue and higher fixed as well as variable costs. The operative EBIT margin declined to 5.6% (8.1%).

CHEMSOLUTIONS

ChemSolutions reliably provides customers with formic acid and high-performing derivatives as well as environmentally sound bleaching agents. Our economy of scale, based on our world-class operations in EMEA in combination with our people's dedication to quality and efficiency, enable us to continuously improve our competitiveness.

EUR million	Jan–Dec 2013	Jan–Dec 2012
Revenue	**190.6**	227.6
Operative EBITDA	**20.7**	27.3
Operative EBITDA, %	**10.9**	12.0
EBITDA	**20.0**	21.3
EBITDA, %	**10.5**	9.4
Operative EBIT	**14.5**	15.1
Operative EBIT, %	**7.6**	6.6
EBIT	**13.8**	–9.3
EBIT, %	**7.2**	–4.1
Capital employed *	**99.1**	192.6
ROCE *	**13.9**	–4.8
Capital expenditure	**5.5**	10.0
Cash flow after investing activities	**82.3**	23.6

*) 12-month rolling average

ChemSolutions segment's **revenue** decreased 16% to EUR 190.6 million (227.6). The revenue in local currencies and excluding divestments increased 2%, mainly due to the higher sales volumes in all main product lines. Sales prices were slightly lower than in 2012. The divestment of the food and pharmaceuticals businesses had an impact of –18% on revenues.

In December, Kemira signed an agreement to sell its formic acid business, including the feed and the airport runway de-icing product lines, to Taminco Corporation. The transaction includes a manufacturing asset for formic acid in Oulu, Finland and approximately 160 employees. The closing of the transaction is expected during the first quarter in 2014. Sodium percarbonate, the remaining business within the ChemSolutions segment, will stay within Kemira and will be reported as part of the Paper segment after closing. After the transaction is closed, the ChemSolutions segment will be discontinued.

Operative EBIT decreased 4% to EUR 14.5 million (15.1) mainly due to the divestment of the food and pharmaceuticals businesses. The operative EBIT margin increased to 7.6% (6.6%).

PARENT COMPANY'S FINANCIAL PERFORMANCE

Kemira Oyj's revenue increased to EUR 1,382.1 million (1,356.0) in 2013. The EBIT was EUR –10.3 million (–38.2). EBIT increased mainly due to higher revenue and other operating income while variable and fixed costs decreased. The parent company's net financial income was EUR 147.0 million (86.9). Net profit totaled EUR 141.2 million (68.7). Capital expenditure totaled EUR 28.3 million (13.4) excluding investments in subsidiaries.

KEMIRA OYJ'S SHARES AND SHAREHOLDERS

On December 31, 2013, 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, 2013, Kemira Oyj had 30,640 registered shareholders (30,601 at the end of December 2012). Foreign shareholding of Kemira's shares increased 26% during the year and was 21.6% (17.1% at the end of December 2012), including nominee registered holdings. Households owned 14.9% of the shares (15.4% at the end of December 2012). Kemira held 3,301,006 treasury shares (3,301,769 at the end of December, 2012) representing 2.1% (2.1% at the end of December 2012) of all company shares. On the basis of Kemira's share-based incentive scheme, Kemira has received a return of 7,389 Kemira's shares during January-December 2013. Based on the decision of the Annual General Meeting of Kemira Oyj on March 26, 2013, Kemira Oyj has transferred 8,152 shares on May 5, 2013, to the members of the Board of Directors as part of the Board's remuneration.

Kemira Oyj's share closed at EUR 12.16 at the NASDAQ OMX Helsinki at the end of 2013 (2012: 11.81). The share price increased 3% during the year while OMX Helsinki Cap index increased 26%. STOXX Chemicals (Europe), chemical sector benchmark index for Kemira, increased 15% in 2013 (2012: 30%). Shares registered a high of EUR 13.02 (12.00) and a low of EUR 10.55 (8.00). The average share price of Kemira increased 16% and was EUR 11.76 (10.10). The volatility of Kemira's share price in 2013 was 24% (3 year volatility: 34%, 5 year: 37%). (Source: Factset)

Kemira's market capitalization, excluding treasury shares, was EUR 1,849 million at the end of the year 2013 (2012: 1,796).

In 2013, Kemira Oyj's share trading volume on NASDAQ OMX Helsinki decreased 27% to 65 million (2012: 89) shares. Share turnover value decreased 15% and was EUR 757.2 million (886.7). The average daily trading volume was 259,748 (352,397) shares. On NASDAQ OMX Helsinki stock exchange, the total trading volume decreased 4% in 2013 to EUR 95.3 billion (98.7).

In addition to NASDAQ OMX Helsinki, Kemira shares are traded on several alternative market places or multilateral trading facilities (MTF), for example at BATS Chi-X and Turquoise. In 2013, a total of 28 million (29) Kemira Oyj shares were traded at alternative market places, i.e. approximately 30% (26%) of the total amount of traded shares executed on-book. (Source: Fidessa)

The total amount of traded Kemira shares, including trade on NASDAQ OMX Helsinki and multilateral trading facilities decreased 21% in 2013 compared to 2012.

OWNERSHIP DEC 31, 2013

Corporations	40.5%
Financial and insurance corporations	6.6%
General government	12.1%
Households	14.9%
Non-profit institutions	4.3%
Non-Finnish shareholders incl. nominee register	21.6%

SHAREHOLDING BY NUMBER OF SHARES HELD DEC 31, 2013

Number of shares	Number of shareholders	% of shareholders	Shares total	% of shares and votes
1–100	6,341	20.7	392,463	0.3
101–500	13,399	43.7	3,631,113	2.3
501–1,000	5,023	16.4	3,771,632	2.4
1,001–5,000	4,909	16.0	9,935,330	6.4
5,001–10,000	487	1.6	3,486,020	2.3
10,001–50,000	345	1.1	6,708,214	4.3
50,001–100,000	59	0.2	4,202,877	2.7
100,001–500,000	60	0.2	11,343,842	7.3
500,001–1,000,000	5	0.0	3,125,106	2.0
1,000,001–	12	0.1	108,745,960	70.0
Total	**30,640**	**100.0**	**155,342,557**	**100.0**

LARGEST SHAREHOLDERS DECEMBER 31, 2013

	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	9,464,836	6.1
4	Ilmarinen Mutual Pension Insurance Company	3,840,451	2.5
5	Nordea Funds	3,589,351	2.3
6	Tapiola Mutual Pension Insurance Company	2,600,000	1.7
7	Mandatum Life	1,626,167	1.1
8	Danske Invest funds	1,495,176	1.0
9	The State Pension Fund	1,040,000	0.7
10	Pohjola Fund Management	819,817	0.5
11	Sigrid Jusélius Foundation	730,000	0.5
12	Kaleva Mutual Insurance Company	603,337	0.4
13	The Local Goverment Pensions Institution	426,482	0.3
14	Aktia Funds	400,000	0.3
15	Valio Pension Fund	359,469	0.2
	Kemira Oyj	3,301,006	2.1
	Nominee-registered and foreign shareholders	33,595,809	21.6
	Others, total	37,276,352	23.8
	Total	**155,342,557**	**100.0**

SHARE-BASED INCENTIVE PLAN FOR THE STRATEGIC MANAGEMENT

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

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

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

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

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

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

AGM DECISIONS

ANNUAL GENERAL MEETING

Kemira Oyj's Annual General Meeting, held on March 26, 2013, confirmed a dividend of EUR 0.53 per share for 2012 (0.53). The dividend was paid out on April 9, 2013.

The AGM 2013 authorized the Board of Directors to decide upon the repurchase of a maximum of 4,500,000 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, 2013.

The AGM 2013 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, 2014. The share issue authorization has been used in connection with the remuneration of the Board of Directors.

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

CORPORATE GOVERNANCE AND GROUP STRUCTURE

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

BOARD OF DIRECTORS

On March 26, 2013, the AGM elected five Board members. The AGM reelected Winnie Fok, Juha Laaksonen, Jari Paasikivi, Kerttu Tuomas and Jukka Viinanen to the Board of Directors. Jukka Viinanen was elected to continue as the Board's Chairman and Jari Paasikivi as the Vice Chairman. In 2013, Kemira's Board of Directors met 16 times with 98% attendance rate.

Kemira Oyj's Board of Directors has appointed two committees: the Audit Committee and the Compensation Committee. The Audit Committee is chaired by Juha Laaksonen and has Jari Paasikivi as a member. In 2013, the Audit Committee met 6 times with a 100% attendance rate. The Compensation Committee is chaired by Jukka Viinanen and has Jari Paasikivi and Kerttu Tuomas as members. In 2013, the Compensation Committee met 5 times with a 100% attendance rate.

CHANGES TO COMPANY MANAGEMENT

On May 1, 2013, Frank Wegener was appointed as the President of Municipal & Industrial segment (previously President, ChemSolutions) and Hannu Virolainen as the President of ChemSolutions segment (previously the President of Municipal & Industrial).

On May 6, 2013, Jukka Hakkila, Group General Counsel was appointed as a new deputy CEO. On June 5, 2013, Petri Castrén was appointed as Chief Financial Officer and member of the Management Board as of September 1, 2013.

On September 27, 2013, Kemira announced that Kemira's President and CEO Wolfgang Büchele will resign from his position. It has been agreed that Büchele will continue as Kemira's President and CEO until April 30, 2014. On January 7, 2014, Kemira Board of Directors appointed Jari Rosendal as Kemira Oyj's President and Chief Executive Officer as of May 1, 2014.

On January 30, 2014, Kemira announced that Randy Owens, President of the Oil & Mining segment and region North America will leave Kemira as of April 30, 2014. In addition, Kemira announced that Hilton Casas, President of the region South America will leave Kemira as of March 31, 2014.

STRUCTURE

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

SHORT-TERM RISKS AND UNCERTAINTIES

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

CHANGES IN CUSTOMER DEMAND

Significant and rapid decline in the use of certain chemicals (e.g. chemicals for packaging and board production) or in the demand of customers' products (e.g. certain paper qualities) could have a negative impact on Kemira's business, especially in the Paper segment. Also increased awareness of and concern towards climate change and more sustainable products may change customers' demands, for instance towards water treatment technologies with lower chemical consumption, and this may impact negatively especially on Kemira Municipal & Industrial segment's ability to compete. Failure from Kemira's side 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 increased its focus on sustainability and is further improving coordination and cooperation between Business Development, R&D and Sales units in order to better understand the future needs and expectations of its customers. Kemira's geographic and customer-industry diversity also provides partial protection against this risk.

CHANGES IN LAWS AND REGULATIONS

Kemira's business is subject to various laws and regulations which are relevant in developing and implementing Kemira's strategy. Although laws and regulations can generally be considered as an opportunity for Kemira, certain new legislative initiatives supporting for instance the use of biodegradable raw materials or biological water treatment, limiting the use of aluminium 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 (e.g. REACH, EU sulphur directive) may generate an excessive amount of administrative work and create a risk of not fulfilling customers' compliance requirements on time. Such regulatory changes may also impact on Kemira's profitability through increase in production and transportation costs. At the same time such changes may also create new business opportunities for Kemira.

Kemira is continuously following regulatory discussions in order to maintain the awareness of the contents and planned changes of those laws and regulations which may have an impact, for instance, on its sales, production planning and product development needs. Regulatory effects are systematically considered in strategic decision-making. Kemira also participates actively in regulatory discussions whenever possible and justified from the industry or business perspective.

COMPETITION

Kemira operates in a rapidly changing and competitive business environment, which represents a considerable risk to meeting its goals. New players seeking for a foothold in Kemira's key business segments may use aggressive means as a competitive tool, which could affect Kemira's financial results. Major competitor consolidations are considered to be risks which may result in weakening of Kemira's market position.

Kemira is seeking growth in segments 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 segment levels through continuous monitoring of the competition. The company aims at responding to competition with active management of customer relationships and continuous development of its products and services to further differentiate itself from the competitors.

PRICE AND AVAILABILITY OF RAW MATERIALS AND COMMODITIES

Continuous improvement of profitability is a crucial part of Kemira's strategy. Significant and sudden increase in the costs of raw materials, commodity or logistic costs could place Kemira's profitability targets at risk if Kemira was unable to pass such increase to product prices without delay. For instance, high oil and electricity prices could materially weaken Kemira's profitability.

Changes in the field of raw material suppliers, such as consolidation or decreasing capacity, may increase raw material prices. Also changes in material demand in industries that are main users of certain raw materials may lead to significant 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 Supply Chain Management function (SCM). Risk management includes, for instance forward-looking forecasting of key raw materials and commodities, synchronization of raw material purchase agreements and sales agreements, strategic investment in energy generating companies and hedging a portion of the energy and electricity spend.

ECONOMIC CONDITIONS

Uncertainties in the global economic development are considered to include risks, such as low-growth period in the global GDP, which could have a negative impact on the demand of Kemira's products. Further weak economic development may also have serious effects on the liquidity of Kemira's customers, which could result 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 this risk.

A detailed account of Kemira's risk management principles and organization is available on the company's website at http://www.kemira.com. An account of the financial risks is available in the Notes to the Financial Statements 2013. Environmental, hazard, supplier and talent mananegment risks are discussed in Kemira's corporate responsibility report that will be published as part of the Kemira Annual Report 2013 during the week beginning on February 24, 2014.

OTHER EVENTS DURING THE REVIEW PERIOD

On April, 23, 2013, Kemira started to establish a multifunction Business Service Center in Gdansk, Poland to serve all of Kemira's businesses in the EMEA region. The scope of the new center is planned to include all transactional activities in the support functions. Once fully implemented, the annual cost savings target for the support functions re-organizing in EMEA will be close to EUR 10 million and the related restructuring charges are expected to amount to approximately EUR 20 million.

On April, 23, 2013, Kemira announced a closure of its production facility in Vaasa, Finland, belonging to the Paper segment. The purpose of the closure is to optimize the utilization of Kemira's global process chemicals production network. The annual cost saving target for the site closure is EUR 5 million and the related restructuring charges approximately EUR 25 million.

EVENTS AFTER THE REVIEW PERIOD

PROPOSALS OF THE NOMINATION BOARD TO THE ANNUAL GENERAL MEETING 2014

Kemira Nomination Board proposed to the Annual General Meeting of Kemira Oyj that six members be elected to the Board of Directors and that the present members Winnie Fok, Juha Laaksonen, Jari Paasikivi and Kerttu Tuomas be re-elected as members of the Board of Directors. Nomination Board proposes that Wolfgang Büchele and Timo Lappalainen be elected as new members of the Board of Directors. In addition, the Nomination Board proposes Jari Paasikivi to be elected as the Chairman of the Board of Directors and Kerttu Tuomas to be elected as the Vice Chairman. Jukka Viinanen informed the Nomination Board, that he is not available as a candidate to continue in Kemira's Board of Directors.

The Nomination Board proposed 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 74,000 per year, for the Vice Chairman and the Chairman of the Audit Committee EUR 45,000 per year and for the other members EUR 36,000 per year. A fee payable for each meeting of the Board of Directors and the Board Committees would be for the members residing in Finland EUR 600, for the members residing in 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 proposed to the Annual General Meeting that the annual fee be paid as a combination of the company's shares and cash in such a manner that 40% of the annual fee is paid with the company's shares owned by the company or, if this is not possible, 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, 2014. 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; Kari Järvinen, Managing Director of Solidium Oy; Risto Murto, President and CEO of Varma Mutual Pension Insurance Company and Timo Ritakallio, Deputy CEO of Ilmarinen Mutual Pension Insurance Company as members of the Nomination Board and Jukka Viinanen, Chairman of Kemira's Board of Directors as an expert member.

DIVIDEND AND DIVIDEND POLICY

On December 31, 2013, Kemira Oyj's distributable funds totaled EUR 681,978,945 net profit, which accounted for EUR 141,177,720 for the period. No material changes have taken place in the company's financial position after the balance sheet date.

Kemira Oyj's Board of Directors proposes to the Annual General Meeting to be held on March 24, 2014 that a dividend of EUR 0.53 totaling EUR 81 million, equivalent to 76% (69%) of the operative net profit, shall be paid on the basis of the adopted balance sheet for the financial year ended December 31, 2013.

Kemira's dividend policy is to distribute a dividend that accounts for 40–60% of its operative net profit. Operative net profit means net profit for the period excluding non-recurring items and adjusted for tax effects.

KEMIRA'S FINANCIAL TARGETS, RESTRUCTURING PROGRAM "FIT FOR GROWTH" AND OUTLOOK 2014

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

Kemira's financial targets have been revised in connection with its strategy update on April 23, 2013. The company's financial targets for 2016 are:

- revenue EUR 2.6–2.7 billion
- EBITDA-% of revenue 15%
- gearing level < 60%.

In addition, Kemira expects its medium-term operative tax rate to be in the range of 22%-24%. The operative tax rate excludes non-recurring items and the impact of the income from associated companies.

The basis for growth is the expanding market for chemicals related to water quality and quantity management and Kemira's strong expertise in this field. The need to increase operational efficiency in our customer industries creates opportunities for Kemira to develop new products and services for both current and new customers. Research and Development is a critical organic growth enabler for Kemira and it provides differentiation capabilities in the water quality and quantity management markets. Kemira will invest in innovation, technical expertise, and competencies in the targeted focus areas.

RESTRUCTURING PROGRAM "FIT FOR GROWTH"

Kemira Oyj has continued to implement its global restructuring program "Fit for Growth", launched at the end of July 2012 in order to improve the company's profitability, its internal efficiency and to accelerate the growth in emerging markets without sacrificing business opportunities in the mature markets. In 2012, the cost savings impact of "Fit for Growth" was EUR 10 million. In 2013, "Fit for Growth"-related cost savings were EUR 46 million and nearly reaching the full cost savings run rate of EUR 60 million on an annualized basis at the end of 2013. "Fit for Growth" related savings will not be reported separately anymore in the coming Kemira interim reports.

Outlook

In 2014, Kemira expects its revenue in local currencies and excluding acquisitions and divestments to be slightly higher than in 2013 and its operative EBIT to be higher than in 2013.

The guidance for 2014 is defined as follows.

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

Helsinki, February 7, 2014

Kemira Oyj
Board of Directors

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

Group Key Figures

FINANCIAL FIGURES

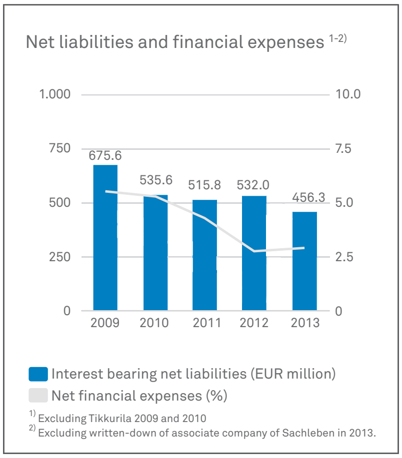
	2013	2012	2011	2010	2009
INCOME STATEMENT AND PROFITABILITY					
Revenue, EUR million [1]	**2,229**	2,241	2,207	2,161	1,970
Operating profit, EUR million [2] [3]	**43**	33	158	156	110
% of revenue	**2**	1	7	7	6
Share of profit or loss of associates, EUR million [1] [2]	**–1**	11	31	9	–5
Finance income and costs (net), EUR million [1]	**39**	16	21	27	38
% of revenue	**2**	1	1	1	2
Interest cover [1] [2] [3]	**4**	11	12	10	5
Profit before tax, EUR million [1] [3]	**3**	29	168	138	67
% of revenue	**0**	1	8	6	3
Net profit for the period (attributable to equity owners of the parent), EUR million [1] [3]	**–32**	18	136	111	54
Return on investment (ROI), % [3] [4]	**1**	3	9	7	7
Return of equity (ROE), % [3]	**–3**	1	10	9	7
Return on capital employed (ROCE), % [3]	**3**	3	11	10	8
Research and development expenses, EUR million [1]	**32**	42	40	42	37
% of revenue	**1**	2	2	2	2
CASH FLOW					
Net cash generated from operating activities, EUR million	**200**	176	178	133	288
Disposals of subsidiaries and property, plant and equipment and intangible assets, EUR million	**193**	30	137	–6	2
Capital expenditure, EUR million	**198**	134	201	107	86
% of revenue	**9**	6	9	5	3
Cash flow after capital expenditure, EUR million	**196**	72	115	169	202
Cash flow return on capital invested (CFROI), % [3]	**10**	8	8	6	12
BALANCE SHEET AND SOLVENCY					
Non-current assets, EUR million	**1,501**	1,682	1,846	1,862	1,886
Shareholders' equity (Equity attributable to equity owners of the parent), EUR million [3]	**1,113**	1,247	1,358	1,340	1,250
Total equity, EUR million [3]	**1,126**	1,261	1,371	1,366	1,269
Total liabilities, EUR million	**1,086**	1,202	1,306	1,178	1,548
Total assets, EUR million [3]	**2,211**	2,462	2,677	2,544	2,817
Interest-bearing net liabilities, EUR million	**456**	532	516	536	676
Equity ratio, %	**51**	51	51	54	45
Gearing, % [3]	**41**	42	38	39	53
Interest-bearing net liabilities per EBITDA [3]	**3.2**	3.0	2.0	1.9	2.5
PERSONNEL					
Personnel (average)	**4,632**	5,043	5,006	5,608	8,843
of whom in Finland	**1,027**	1,173	1,145	1,241	1,929
EXCHANGE RATES					
Key exchange rates at 31 Dec					
USD	**1.379**	1.319	1.294	1.336	1.441
SEK	**8.859**	8.582	8.912	8.966	10.252
BRL	**3.258**	2.704	2.416	2.217	2.511

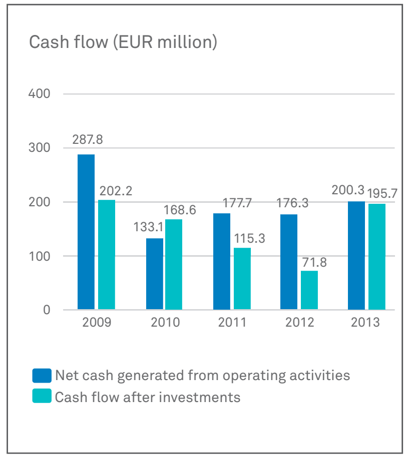
[1] The financial figures for 2010 and 2009 are presented without the spin-off effect of Tikkurila.

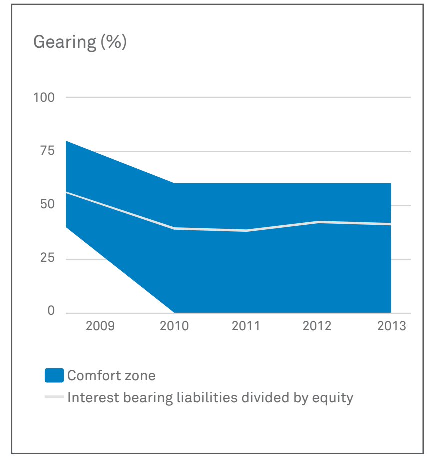
[2] Share of profit or loss of associates is presented after finance expenses.

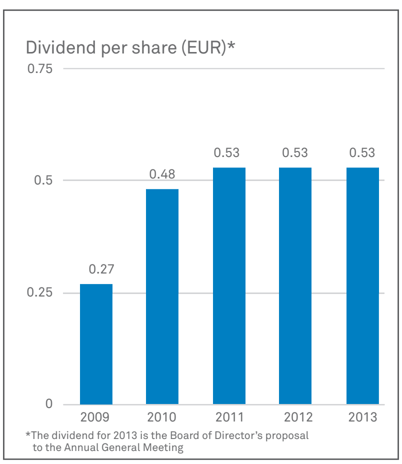
[3] Comparative figures for 2012 have been restated according to the revised IAS 19 `Employee Benefits´.

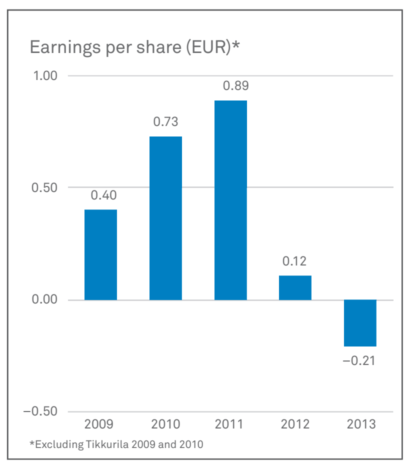
[4] The financial figure for 2013 has been restated. Finance costs have been decreased by EUR 23 million related to written-down of the associate company of Sachtleben.

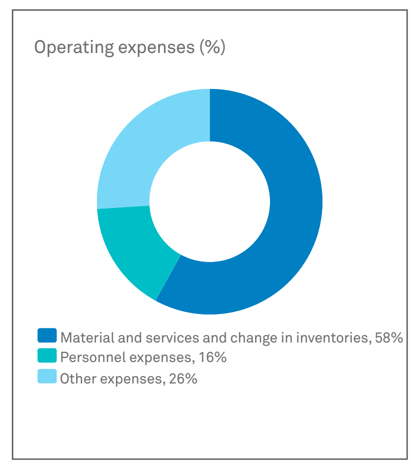

Net liabilities and financial expenses 1-2)
1.000
750
500
250
0
10.0
7.5
5.0
2.5
0
675.6
535.6
515.8
532.0
456.3
2009
2010
2011
2012
2013
Interest bearing net liabilities (EUR million)
Net financial expenses (%)
1) Excluding Tikkurila 2009 and 2010
2) Excluding written-down of associate company of Sachleben in 2013.

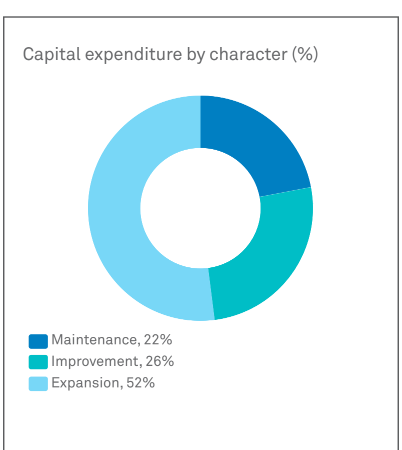

Cash flow (EUR million)
400
300
200
100
0
287.8
202.2
133.1
168.6
177.7
115.3
176.3
71.8
200.3
195.7
2009
2010
2011
2012
2013
Net cash generated from operating activities
Cash flow after investments

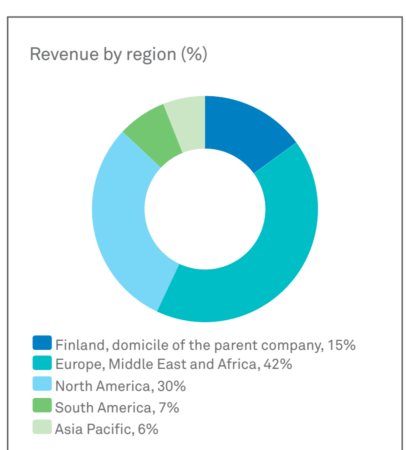

Gearing (%)
100
75
50
25
0
2009
2010
2011
2012
2013
Comfort zone
Interest bearing liabilities divided by equity

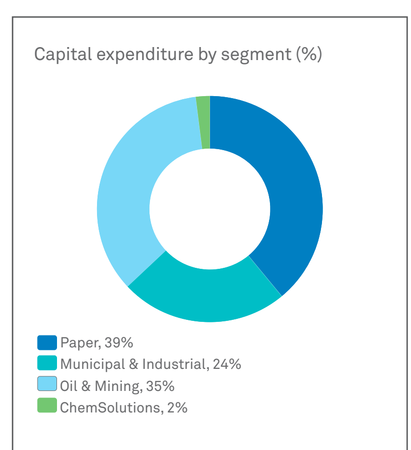

Dividend per share (EUR)*
0.75
0.5
0.25
0
0.27
0.48
0.53
0.53
0.53
2009
2010
2011
2012
2013
*The dividend for 2013 is the Board of Director's proposal to the Annual General Meeting


Earnings per share (EUR)*
1.00
0.50
0.00
−0.50
0.40
0.73
0.89
0.12
−0.21
2009
2010
2011
2012
2013
*Excluding Tikkurila 2009 and 2010


Operating expenses (%)
Material and services and change in inventories, 58%
Personnel expenses, 16%
Other expenses, 26%


Capital expenditure by character (%)
Maintenance, 22%
Improvement, 26%
Expansion, 52%


Revenue by region (%)
Finland, domicile of the parent company, 15%
Europe, Middle East and Africa, 42%
North America, 30%
South America, 7%
Asia Pacific, 6%


Capital expenditure by segment (%)
Paper, 39%
Municipal & Industrial, 24%
Oil & Mining, 35%
ChemSolutions, 2%

Group Key Figures

PER SHARE FIGURES

	2013	2012	2011	2010	2009
PER SHARE FIGURES					
Earnings per share, continuing operations, basic and diluted, EUR 1) 3) 5)	**–0.21**	0.12	0.89	0.73	0.40
Earnings per share, basic and diluted, EUR 1) 3) 5)	**–0.21**	0.12	0.89	4.23	0.61
Cash flow from operations per share, EUR 1) 3)	**1.32**	1.16	1.17	0.88	2.13
Dividend per share, EUR 1) 2) 3) 4)	**0.53**	0.53	0.53	0.48	0.27
Dividend payout ratio, % 1) 2) 3) 4)	**–255.0**	455.1	59.4	65.7	44.3
Dividend yield 1) 2) 4) 5)	**4.4**	4.5	5.8	4.1	2.6
Equity per share, EUR 1) 5)	**7.32**	8.20	8.94	8.83	8.25
Price per earnings per share (P/E ratio) 1) 3) 5)	**–58.50**	101.51	10.28	16.01	17.14
Price per equity per share 1) 3) 5)	**1.66**	1.44	1.03	1.33	1.26
Price per cash flow per share 1) 3)	**9.23**	10.18	7.85	13.34	4.87
Dividend paid, EUR million 2) 4)	**80.6**	80.6	80.6	72.8	41.0
SHARE PRICE AND TURNOVER					
Share price, year high, EUR 3)	**13.02**	12.00	12.67	13.19	11.63
Share price, year low, EUR 3)	**10.55**	8.00	7.80	7.89	3.87
Share price, year average, EUR 3)	**11.76**	10.10	10.49	10.15	7.64
Share price at 31 Dec, EUR 3)	**12.16**	11.81	9.18	11.70	10.39
Number of shares traded (1,000)	**64,937**	88,346	109,013	115,850	83,792
% on number of shares	**42**	57	70	75	54
Market capitalization at 31 Dec, EUR million 1)	**1,848.8**	1,795.6	1,395.6	1,775.3	1,574.0
NUMBER OF SHARES AND SHARE CAPITAL					
Average number of shares, basic (1,000) 1)	**152,039**	152,037	151,994	151,697	134,824
Average number of shares, diluted (1,000) 1)	**152,179**	152,173	152,152	152,017	135,085
Number of shares at 31 Dec, basic (1,000) 1)	**152,042**	152,041	152,030	151,735	151,488
Number of shares at 31 Dec, diluted (1,000) 1)	**152,091**	152,090	152,030	152,055	151,748
Increase in number of shares (1,000)	**1**	11	295	247	30,298
Share capital, EUR million	**221.8**	221.8	221.8	221.8	221.8

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

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

3) Years 2009 and 2010 rights offering restatements.

4) The dividend for 2013 is the Board of Director's proposal to the Annual General Meeting.

5) Comparative figures for 2012 have been restated according to the revised IAS 19 `Employee Benefits´.

Definitions of Key Figures

PER SHARE FIGURES

EARNINGS PER SHARE (EPS)

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

CASH FLOW FROM OPERATIONS

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

CASH FLOW FROM OPERATIONS PER SHARE

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

DIVIDEND PER SHARE

$$\frac{\text{Dividend paid}}{\text{Number of shares at 31 Dec}}$$

DIVIDEND PAYOUT RATIO

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

DIVIDEND YIELD

$$\frac{\text{Dividend per share x 100}}{\text{Share price at 31 Dec}}$$

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 CASH FLOW PER SHARE

$$\frac{\text{Share price at 31 Dec}}{\text{Cash flow from operations per share}}$$

SHARE TURNOVER, %

$$\frac{\text{Number of shares traded x 100}}{\text{Weighted average number of shares}}$$

FINANCIAL FIGURES

INTEREST-BEARING NET LIABILITIES

Interest-bearing liabilities - cash and cash equivalents

EQUITY RATIO, %

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

GEARING, %

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

INTEREST COVER

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

RETURN ON INVESTMENTS (ROI), %

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

RETURN ON EQUITY (ROE), %

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

CASH FLOW RETURN ON INVESTMENT (CFROI), %

$$\frac{\text{Cash flow from operations x 100}}{\text{(Total assets - interest-free liabilities)}^{1)}}$$

RETURN ON CAPITAL EMPLOYED (ROCE), %

$$\frac{\text{Operating profit + share of profit or loss of associates x 100}}{\text{Capital employed}^{1)\,2)}}$$

CAPITAL TURNOVER

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

INTEREST-BEARING NET LIABILITIES / EBITDA

$$\frac{\text{Interest-bearing net liabilities}}{\text{Operating profit + depreciation, impairments and reversal of impairments}}$$

NET FINANCIAL COST, %

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

[1)] Average

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

Kemira 2013 Consolidated Financial Statements • Consolidated Income Statement (EUR million)

Consolidated Income Statement (IFRS)

		Year ended 31 December	
	Note	2013	2012
Revenue	2	**2,229.1**	2,240.9
Other operating income	3	**15.2**	13.8
Operating expenses	4, 5	**–2,102.4**	–2,074.8
Depreciation, amortization and impairment	6, 11, 12, 13	**–99.3**	–146.8
Operating profit		**42.6**	33.1
Finance income	7	**4.4**	15.1
Finance expense	7	**–45.9**	–30.8
Exchange differences	7	**2.5**	0.0
Finance costs, net	7	**–39.0**	–15.7
Share of profit or loss of associates	2, 8	**–1.1**	11.2
Profit before tax		**2.5**	28.6
Income tax expense	9	**–28.4**	–6.2
Net profit for the period		**–25.9**	22.4
Net profit attributable to:			
Equity owners of the parent		**–31.6**	17.7
Non-controlling interests		**5.7**	4.7
Net profit for the period		**–25.9**	22.4
Earnings per share for net profit attributable to the equity owners of the parent company (EUR per share)			
Basic and diluted	10	**–0.21**	0.12

Comparative figures for 2012 have been restated according to the revised IAS 19 `Employee Benefits´, additional information is disclosed in the Group's accounting policies.

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

Kemira 2013 Consolidated Financial Statements • Consolidated Statement of Comprehensive Income (EUR million)

Consolidated Statement of Comprehensive Income (IFRS)

	Note	Year ended 31 December	
		2013	2012
Net profit for the period		**–25.9**	22.4
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets		**–27.0**	5.4
Exchange differences on translating foreign operations		**–17.7**	2.3
Cash flow hedges		**–2.3**	–1.0
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements on defined benefit pensions		**22.6**	–38.6
Other comprehensive income for the period, net of tax	9, 19	**–24.4**	–31.9
Total comprehensive income for the period		**–50.3**	–9.5
Total comprehensive income attributable to:			
Equity owners of the parent		**–55.4**	–14.9
Non-controlling interests		**5.1**	5.4
Total comprehensive income for the period		**–50.3**	–9.5

Items in the Consolidated Statement of Comprehensive Income are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 9.

Comparative figures for 2012 have been restated according to the revised IAS 19 `Employee Benefits´, additional information is disclosed in the Group's accounting policies.

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

Kemira 2013 Consolidated Financial Statements • Consolidated Balance Sheet (EUR million)

Consolidated Balance Sheet (IFRS)

	Note	Year ended 31 December 2013	2012
ASSETS			
NON-CURRENT ASSETS			
Goodwill	11	**471.9**	522.5
Other intangible assets	12	**75.3**	60.5
Property, plant and equipment	13	**644.5**	655.9
Investments in associates	8	**0.8**	122.8
Available-for-sale financial assets	14, 15	**233.6**	264.0
Deferred tax assets	22	**36.0**	30.1
Other investments		**9.2**	9.8
Defined benefit pension receivables	23	**29.8**	16.5
Total non-current assets		**1,501.1**	1,682.1
CURRENT ASSETS			
Inventories	16	**169.9**	181.9
Interest-bearing receivables	15, 17	**0.5**	0.3
Trade and other receivables	15, 17	**320.9**	353.1
Current income tax assets		**11.2**	18.9
Cash and cash equivalents	29	**102.0**	132.7
Total current assets		**604.5**	686.9
Non-current assets classified as held-for-sale	18	**105.4**	93.3
Total assets		**2,211.0**	2,462.3
EQUITY AND LIABILITIES			
EQUITY	19		
Equity attributable to equity owners of the parent			
Share capital		**221.8**	221.8
Other equity		**890.7**	1,025.6
Equity attributable to equity owners of the parent		**1,112.5**	1,247.4
Non-controlling interests		**13.0**	13.2
Total equity		**1,125.5**	1,260.6
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	15, 20, 21	**279.9**	387.5
Other liabilities	15	**21.4**	21.4
Deferred tax liabilities	22	**43.5**	39.1
Defined benefit pension liabilities	23	**73.8**	87.1
Provisions	24	**27.3**	21.8
Total non-current liabilities		**445.9**	556.9
CURRENT LIABILITIES			
Interest-bearing liabilities	15, 20, 21	**278.4**	277.2
Trade payables and other liabilities	15, 25	**302.6**	315.5
Current income tax liabilities		**13.6**	17.3
Provisions	24	**25.2**	23.8
Total current liabilities		**619.8**	633.8
Liabilities directly associated with the assets classified as held-for-sale	18	**19.8**	11.0
Total liabilities		**1,085.5**	1,201.7
Total equity and liabilities		**2,211.0**	2,462.3

Comparative figures for 2012 have been restated according to the revised IAS 19 `Employee Benefits´, additional information is disclosed in the Group's accounting policies.

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

Kemira 2013 Consolidated Financial Statements • Consolidated Statement of Cash Flow (EUR million)

Consolidated Statement of Cash Flow (IFRS)

		Year ended 31 December	
	Note	**2013**	2012
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the period		**–25.9**	22.4
Adjustments for			
Depreciation, amortization and impairment	6, 11, 12, 13	**99.3**	146.8
Income taxes	9	**28.5**	6.2
Finance expenses, net	7	**39.0**	15.7
Share of profit or loss of associates	8	**1.1**	–11.2
Other non-cash income and expenses not involving cash flow		**60.2**	39.4
Operating profit before change in net working capital		**202.2**	219.3
Change in net working capital			
Increase (–) / decrease (+) in inventories		**–3.5**	26.3
Increase (–) / decrease (+) in trade and other receivables		**14.1**	17.2
Increase (+) / decrease (–) in trade payables and other liabilities		**14.1**	–64.6
Change in working capital		**24.7**	–21.1
Cash generated from operations		**226.9**	198.2
Interest and other finance cost paid		**–27.7**	–28.7
Interest and other finance income received		**8.4**	8.0
Realized exchange gains and losses		**19.0**	13.4
Dividends received		**0.2**	15.6
Income taxes paid		**–26.5**	–30.2
Net cash generated from operating activities		**200.3**	176.3
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of subsidiaries, net of cash acquired	27	**–58.6**	0.0
Purchases of available-for-sale financial assets		**–4.1**	–0.4
Purchases of property, plant, equipment and intangible assets		**–134.8**	–133.7
Change in long-term loan receivables decrease (+) / increase (–)		**–0.5**	–0.2
Proceeds from sale of subsidiaries, net of cash disposed	26	**87.5**	0.0
Proceeds from sale of associates and paid-in-capital from associates		**97.7**	26.8
Proceeds from sale of available-for-sale financial assets		**2.8**	0.0
Proceeds from sale of property, plant and equipment		**5.4**	3.0
Net cash used in investing activities		**–4.6**	–104.5
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from non-current interest-bearing liabilities (+)		**0.0**	1.6
Repayment from non-current interest-bearing liabilities (–)		**–95.1**	–81.5
Short-term financing, net increase (+) / decrease (–)		**–32.6**	43.3
Dividends paid		**–85.1**	–85.1
Other finance items		**–1.1**	–0.9
Net cash used in financing activities		**–213.9**	–122.6
Net decrease (–) / increase (+) in cash and cash equivalents		**–18.2**	–50.8
Cash and cash equivalents at 31 Dec		**102.0**	132.7
Exchange gains (+) / losses (–) on cash and cash equivalents		**–3.4**	–2.3
Cash and cash equivalents at 1 Jan		**123.6** [1]	185.8
Net decrease (–) / increase (+) in cash and cash equivalents		**–18.2**	–50.8

[1] Cash and cash equivalents at year ended 31 December, 2012 includes EUR 9.1 million investments, which have now been reclassified as Available-for-sale investments.

Comparative figures for 2012 have been restated according to the revised IAS 19 `Employee Benefits´, additional information is disclosed in the Group's accounting policies.

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

Kemira 2013 Consolidated Financial Statements • Consolidated Statement of Changes in Equity (EUR million)

Consolidated Statement of Changes in Equity (IFRS)

	ATTRIBUTABLE TO OWNERS OF THE PARENT									
	Share capital	Share premium	Fair value and other reserves	Unrestricted equity reserve	Exchange differences	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
Reported equity at January 1, 2012	221.8	257.9	89.3	196.3	−24.6	−22.3	640.1	1,358.5	12.3	1,370.8
Effect of application of IAS 19 revised							−16.5	−16.5		−16.5
Restated equity at January 1, 2012	221.8	257.9	89.3	196.3	−24.6	−22.3	623.6	1,342.0	12.3	1,354.3
Net profit for the period							16.8	16.8	4.7	21.5
Other comprehensive income, net of tax			4.4		1.6			6.0	0.7	6.7
Total comprehensive income			4.4		1.6		16.8	22.8	5.4	28.2
Transactions with owners										
Dividends paid							−80.6	−80.6	−4.5	−85.1
Treasury shares issued to the Board of Directors						0.1		0.1		0.1
Share-based payments							0.8	0.8		0.8
Transfers in equity					−0.1		0.1	0.0		0.0
Transactions with owners					−0.1	0.1	−79.7	−79.7	−4.5	−84.2
Equity at December 31, 2012	221.8	257.9	93.7	196.3	−23.1	−22.2	577.2	1,301.6	13.2	1,314.8
Reported equity at January 1, 2013	**221.8**	**257.9**	**93.7**	**196.3**	**−23.1**	**−22.2**	**577.2**	**1,301.6**	**13.2**	**1,314.8**
Effect of application of IAS 19 revised							**−54.2**	**−54.2**		**−54.2**
Restated equity at January 1, 2013	**221.8**	**257.9**	**93.7**	**196.3**	**−23.1**	**−22.2**	**523.0**	**1,247.4**	**13.2**	**1,260.6**
Net profit for the period							−31.6	**−31.6**	5.7	**−25.9**
Other comprehensive income, net of tax			−29.3		−17.1		22.6	**−23.8**	−0.6	**−24.4**
Total comprehensive income			**−29.3**		**−17.1**		**−9.0**	**−55.4**	**5.1**	**−50.3**
Transactions with owners										
Dividends paid							−80.6	**−80.6**	−4.5	**−85.1**
Returned treasury shares						−0.1		**−0.1**		**−0.1**
Treasury shares issued to the Board of Directors						0.1		**0.1**		**0.1**
Share-based payments							0.2	**0.2**		**0.2**
Changes due to business combinations			−0.5				1.3	**0.8**	−0.8	**0.0**
Transfers in equity			0.1				−0.1	**0.0**		**0.0**
Other changes							0.1	**0.1**		**0.1**
Transactions with owners			**−0.4**			**0.0**	**−79.1**	**−79.5**	**−5.3**	**−84.8**
Equity at December 31, 2013	**221.8**	**257.9**	**64.0**	**196.3**	**−40.2**	**−22.2**	**434.9**	**1,112.5**	**13.0**	**1,125.5**

Comparative figures for 2012 have been restated according to the revised IAS 19 `Employee Benefits´, additional information is disclosed in the Group's accounting policies.

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

Notes to the Consolidated Financial Statements

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

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

GROUP PROFILE

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

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

The Board of Directors of Kemira Oyj has approved the Financial Statements for publication at its meeting on February 7, 2014. 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 a 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). In the Finnish Accounting Act and the statutes under it, the International Financial Reporting Standards refer to the endorsed standards and their interpretations under the European Union Regulation No. 1606/2002, regarding the adoption of the International Financial Reporting Standards applicable within the Community. The Notes to the Consolidated Financial Statements also comply with the requirements of the Finnish accounting and corporate legislation, which supplement the IFRS regulations.

The Consolidated Financial Statements are presented in million euro and it has been prepared based on 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 their grant date.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas which need a higher degree of judgement are significant to the Consolidated Financial Statements are presented below.

Kemira 2013 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

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CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied the following new and amended standards and interpretations:

New and amended IFRSs adopted in 2013

- In the beginning of 2013, Kemira Group has applied revised Employee Benefits. The amendments to IAS 19 change the accounting for defined benefit plans. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the ´corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated balance sheet to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 revised, which is calculated by applying the discount rate to the net defined benefit liability or asset. IAS 19 revised introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures in Kemira's Financial Statements. The most significant changes are presented in the tables below.

The effect on the balance sheet was as follows:	Liabilities for defined benefits plans	Deferred tax assets	Assets for defined benefits plans	Deferred tax liabilities	Equity
Balance as reported at 1 January 2012	52.0	2.0	44.3	10.3	1,370.8
Effect of application of IAS 19 revised	13.6	0.2	–2.7	0.4	–16.5
Restated balance at 1 January 2012	**65.6**	**2.2**	**41.6**	**10.7**	**1,354.3**
Balance as reported at 31 December 2012	54.9	2.7	43.6	10.7	1,314.8
Effect of application of IAS 19 revised	13.6	0.2	–2.7	0.4	–16.5
Effect on total comprehensive income for the period	18.6	0.2	–24.4	–5.1	–37.7
Restated balance at 31 December 2012	**87.1**	**3.1**	**16.5**	**6.0**	**1,260.6**

The effect on defined benefit expenses on the consolidated income statement was as follows:	2012 1–12
Reported defined benefit expense (+) / income (–)	9.5
Effect of application of IAS 19 revised	–1.4
Restated defined benefit expense (+) / income (–)	**8.1**

The effect on total comprehensive income was as follows:	
Reported total comprehensive income for the period	28.2
Effect of application of IAS 19 revised	–37.7
Restated total comprehensive income for the period	**–9.5**

The effect on earnings per share, EUR was as follows:	
Reported earnings per share	0.11
Effect of application of IAS 19 revised	0.01
Restated earnings per share	**0.12**

- Amendment to IAS 1 Presentation of Financial Statements (effective for reporting periods beginning on or after 1 July 2012). The main change is the requirement for grouping items in 'other comprehensive income' based on whether they are potentially reclassifiable to profit or loss as certain conditions are fulfilled. The amendments only have an impact on the presentation of the Kemira's Financial Statements.
- IFRS 13 Fair Value Measurement (effective for reporting periods beginning on or after 1 January 2013). The standard aims to increase uniformity by providing specific definition for fair value. It also provides both requirements for determining fair value and the required disclosures under the same standard. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards.
- Amendment to IFRS 7 Financial Instruments: Disclosures (effective for reporting periods beginning on or after 1 January 2013). The amendments require information about financial instruments that are set off and also disclosure of information about enforceable master netting arrangements and similar agreements. The new requirements have had impact on disclosures related to financial instruments.
- Annual Improvements to IFRS 2009–2011, May 2012 (effective for reporting periods beginning on or after 1 January 2013). In the annual improvement process the non-urgent but necessary amendments to IFRS are collected and issued annually. The improvements concern five standards. The nature of the improvements depends on the standards, but they do not have material impact on the Consolidated Financial Statements.

APPLICATION OF NEW AND REVISED IFRSS

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

- FRS 9 *Financial Instruments* (effective date open). IFRS 9 is a several phase project which aims to replace IAS 39 with a new standard. According to the finalised classification and measurement part of IFRS 9, financial assets are classified and measured based on entity's business model and the contractual cash flow characteristics of the financial asset. Classification and measurement of financial liabilities is mainly based on the current IAS 39 principles. The finalised general hedge accounting model of IFRS 9 allows reporters to reflect risk management activities in the financial statements more closely as it provides more opportunities to apply hedge accounting. Impairment of financial assets is the most significant still uncompleted part of IFRS 9. The standard has not yet been endorsed by EU.
- IFRS 10 *Consolidated Financial Statements* (effective for reporting periods beginning on or after 1 January 2013). The standard establishes control as the base for consolidation. Additionally, the standard provides further guidance on how to apply principles of control when it is challenging to assess. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted.
- IFRS 11 *Joint Arrangements* (effective for reporting periods beginning on or after 1 January 2013). The standard emphases the rights and obligations of the joint arrangement rather than its legal form in the accounting. The arrangements are divided into two: joint operations and joint ventures. The standard requires joint ventures to be accounted for using equity method of accounting. Proportional consolidation of joint ventures is no longer allowed. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted.
- IFRS 12 *Disclosure of Interests in Other Entities* (effective for reporting periods beginning on or after 1 January 2013). The standard includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other, off balance sheet vehicles. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted.
- IAS 27 (revised 2011) *Separate Financial Statements* (effective for reporting periods beginning on or after 1 January 2013). The revised standard includes the requirements for separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted.
- IAS 28 (revised 2011) *Investments in Associates and Joint Ventures* (effective for reporting periods beginning on or after 1 January 2013). The revised standard includes requirements for both joint

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operations and associates to be accounted by using equity method of accounting after IFRS 11 was issued. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted.

- Amendment to IAS 32 *Financial instruments: Presentation* (effective for reporting periods beginning on or after 1 January 2014). The amendment clarifies the conditions for net presentation of financial assets and liabilities and introduces some additional application guidance.
- Amendment to IAS 36 *Impairment of assets: Recoverable Amount Disclosures for Non-Financial Assets* (effective for reporting periods beginning on or after 1 January 2014). The overall effect of the amendments is to clarify the disclosure requirements on those cash generating units which have been subject to impairment.
- Amendments to IAS 39: *Novation of Derivatives and Continuation of Hedge Accounting* (effective for reporting periods beginning on or after 1 January 2014). The amendments allow the continuation of hedge accounting under IAS 39 when a derivative is novated to a clearing counterparty and certain conditions are met.
- Amendment to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* (effective for reporting periods beginning on or after 1 January 2013). The amendment provides additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period.
- Amendment to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* (effective for reporting periods beginning on or after 1 January 2014). The amendment provides 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 or IAS 39.
- *Annual Improvements to IFRS 2010–2012* and *Annual Improvements to IFRS 2011–2013*, both issued December 2013 (effective for reporting periods beginning on or after 1 July 2014). In the annual improvement process the non-urgent but necessary amendments to IFRS are collected and issued annually. The nature of the improvements depends on the standards, but they do not have material impact on the consolidated financial statements. The standard has not yet been endorsed by EU.
- IFRIC 21 *Levies* (effective for reporting periods beginning on or after January 1, 2014). The interpretation provides guidance on when to recognize a liability for a levy imposed by a government. The interpretation has not yet been endorsed by EU.

CONSOLIDATION

Subsidiaries

The Consolidated Financial Statements include the parent company and its subsidiaries. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The Group also assesses the existence of control in cases it possesses less than 50% of the voting rights but is able to govern the financial and operating policies by virtue of de-facto control. The Group's subsidiaries are presented in the Note 34.

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

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

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

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

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

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

Associates

Associated companies are companies over which the Group exercises significant influence (voting rights generally being 20–50 percent). Holdings in associated companies are consolidated using the equity method. The Group's share of the associated companies' net profit for the financial year is stated as a separate item in the consolidated income statement after operating profit, in proportion to the Group's holdings. The Group's share of its associates' movements in other comprehensive income is recognized in Group's other comprehensive income. If the Group's share of an associate's losses exceeds the carrying amount of the investment, the exceeding losses will not be consolidated unless the Group has a commitment to fulfill obligations on behalf of the associate. The Group's associates are presented in the Note 8.

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 euro, 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. Retranslating the net profit for the period and the other comprehensive income using different exchange rates in the income statement and in the balance sheet causes a translation difference recognized in equity in the balance sheet; the change in this translation difference is presented under other comprehensive income. Goodwill and fair value adjustments to the carrying amounts of the assets and liabilities that arise from the acquisition of a foreign entity are accounted for as part of the assets and liabilities of the foreign entity, and translated into euro at the rate quoted on the balance sheet date.

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

In their day-to-day accounting, Group companies translate foreign currency transactions into their functional currency at the exchange rates quoted on the transaction date. In the Financial Statements, foreign currency denominated receivables and liabilities are measured at the exchange rates quoted on the balance sheet date, and non-monetary items using the rates quoted on the transaction date. Any foreign exchange gains and losses related to business operations are treated as adjustments to sales and purchases. Exchange rate differences associated with financing transactions and the hedging of the Group's overall foreign currency position are stated in foreign exchange gains or losses under financial income and expenses.

REVENUE RECOGNITION PRINCIPLES

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

PENSION OBLIGATIONS

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

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

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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 age, years of service and compensation.

The liability recognized in the balance sheet in respect of 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 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.

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.

SHARE-BASED PAYMENTS

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

Share-based compensation expense is determined at the grant date based on the Group's estimate of the number of shares that are expected to vest at the end of 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 to original estimates in the income statement as a personnel expense, with the corresponding adjustment made to equity and liabilities at fair value.

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

INCOME TAXES

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

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

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

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

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

Deferred income tax assets and liabilities are offset in such cases, when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income taxes assets and liabilities relate to the income taxes levied by the same taxation

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authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

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

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

Goodwill arises from business combinations. Goodwill represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. 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.

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

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

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

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

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

GOVERNMENT GRANTS

Government grants for investments are recognized 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 deducted from expenses.

LEASES

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

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

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

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

INVENTORIES

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

FINANCIAL ASSETS, FINANCIAL LIABILITIES AND DERIVATIVE CONTRACTS

When a financial asset or a financial liability is initially recognized on the trade date, it is measured at cost, which equals the fair value of the consideration given or received. The Group's financial assets are classified for subsequent

Kemira 2013 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

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

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

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

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

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

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

Kemira Oyj's holding in PVO Group that entitles to the electricity from completed power plants is measured at fair value based on the discounted cash flow resulting from the difference between the market price of electricity and the cost price. The forward electricity price quotations in Finland area published by the Nordic Electricity Exchange have been used as the market price for electricity. The cost prices are specified to each share series. Future cash flows have been discounted based on the estimated useful lives of the plants related to each share series, and water power includes terminal value. The discount rate has been calculated using the annually determined average weighted cost of capital.

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

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

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

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value, the fair value determines the amount of impairment. Impairment charges are recognized under financial items in the income statement.

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

Financial liabilities

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

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

Derivatives

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

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

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

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

HEDGE ACCOUNTING

According to IAS 39, hedge accounting refers to a method of accounting aimed at allocating one or more hedging instruments in such a way that their fair value offsets, in full or in part, the changes in the fair value or cash flows of the hedged item. Hedge accounting is applied to hedging the interest rate risk and commodity risk. The hedge accounting model in use includes cash flow hedging.

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

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

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

Cash flow hedging

Cash flow hedging is used to hedge against variability in cash flows attributable to a particular risk associated with a recognized asset or liability in the balance sheet or a highly probable forecast transaction. Interest rate and commodity derivatives are used as investment instruments in cash flow hedging. Interest rate and commodity derivatives are used as hedging instruments in cash flow hedges. Cash flow hedge accounting, specified in IAS 39 is applied by the Group to only selected hedging

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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.

PROVISIONS AND CONTINGENT LIABILITIES

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

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

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

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

- it represents a separate major line of business or geographical area of operations,
- it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- it is a subsidiary that has been acquired exclusively with a prospect of reselling.

The profit or loss of the discontinued operation is stated as a separate item in the consolidated income statement and statement of comprehensive income. Assets held for sale and related to other comprehensive income items are recognized in the balance sheet separately from other items.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

The cash-generating unit has been defined as the reportable segment. Goodwill impairment is tested by comparing the reportable segment's recoverable amount with its carrying amount. The Group does not have intangible assets with indefinite useful lives other than goodwill. All goodwill has been allocated to the 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 business unit's management. The annual growth rate used to extrapolate cash flows subsequent to the forecast period is assumed to be zero. Cash flow estimates do not include the effects of improved asset performance, investments or future reorganizations.

An impairment loss is recognized, whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. An impairment loss is recognized in the income statement. Note 11 provides more detailed information on impairment testing.

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

EMISSIONS ALLOWANCES

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

TREASURY SHARES

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

DIVIDEND DISTRIBUTION

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

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 the adjusting the weighted average number of ordinary shares plus diluted effect of shares from the share-based payments.

NON-RECURRING ITEMS

Items that are material either because of their size or their nature are considered as one-time items. Most commonly non-recurring items are sales of assets, write-downs and restructuring of the operations. Non-recurring items are described in the board of directors´ review.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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 have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

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. For more information on goodwill impairment testing, as well as the assumptions used in the sensitivity analysis are presented in Note 11.

Estimated fair value of investment in PVO Group

The Group's investments include non-listed shares, holdings in PVO Group representing the largest of these. The Group's shareholding in the company is measured at fair value, based on the discounted cash flow resulting from the difference between the market price of electricity and the cost price. Developments in the actual fair value may differ from the estimated value, due to factors such as electricity prices, the forecast period or the discount rate. For more information PVO Group's fair value determination are presented in Note 14.

Defined benefit pensions

Determining pension liabilities under defined benefit pension plans includes assumptions, and significant changes in these assumptions may affect the amounts of pension liabilities and expenses. Actuarial calculations include assumptions by the management, such as the discount rate and assumptions of salary increases and the termination of employment contracts. See Note 23 for details of the calculation of the defined benefit pension assumptions.

Provisions

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

Deferred taxes

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

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2. SEGMENT INFORMATION

AN OVERVIEW OF THE GROUP STRUCTURE

In 2012, the Group organized its business into three customer-based segments with P/L responsibilities being Paper, Municipal & Industrial, Oil & Mining. In January 1, 2013, Kemira started its financial reporting according to the new organizational structure. Kemira's reporting segments are Paper, Municipal & Industrial, Oil & Mining, and ChemSolutions.

Main changes were:

- Service revenues in Sweden and Finland, previously reported as part of the unit "Other", are now reported within the Paper segment.
- Kemira Group expenses previously reported as part of "Other" are now allocated to the four segments.
- Kemira is now applying a key ownership principle for every production plant according to which each plant is owned by a dedicated segment.

The comparative figures have been restated to be in accordance with the new reportable segments´ structure. The first financial report according to the new reporting segment structure was the first quarter´s Interim Report 2013.

DESCRIPTION OF REPORTABLE SEGMENTS

Segment information is presented in a manner consistent with the Group’s internal organizational and reporting structure. Assets and liabilities dedicated to a particular segment’s operations are included in that segment’s total assets and liabilities. Segment assets include property, plant and equipment, intangible assets, investments in associates, inventories and non-interest bearing receivables. Segment liabilities include current non-interest bearing liabilities.

Paper

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

Municipal & Industrial

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

Oil & Mining

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

ChemSolutions

The ChemSolutions segment consists of organic salts and acids business. The ChemSolutions focuses on serving customers in the food and feed markets as well as in the pharmaceutical and chemical industries.

Kemira 2013 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

2013	Paper	Municipal & Industrial	Oil & Mining	ChemSolutions	Group
Revenue	1,067.6	659.4	311.5	190.6	**2,229.1**
Operating profit	45.7	−23.4	6.5	13.8	**42.6**
Finance expense, net					**−39.0**
Share of profit or loss of associates					**−1.1**
Profit before tax					**2.5**
Income tax					**−28.4**
Net profit for the period					**−25.9**
Depreciation and amortization	−45.2	−22.9	−15.3	−6.2	**−89.6**
Impairments	−6.9	0.0	−2.8		**−9.7**
Other non-cash items	−16.9	−4.3	−1.6	−0.5	**−23.3**
Capital expenditure	−75.2	−46.9	−69.9	−5.5	**−197.5**
OTHER SEGMENT INFORMATION					
Capital employed by segments (net)	739.9	255.3	223.1	23.4	**1,241.7**
Assets by segments	872.7	359.7	265.2	31.6	**1,529.2**
Investments in associates	0.6	0.2			**0.8**
Available-for-sale financial assets					**233.6**
Deferred income tax assets					**36.0**
Other investments					**9.2**
Defined benefit pension receivables					**29.8**
Other assets					**165.0**
Cash and cash equivalents					**102.0**
Non-current assets classified as held-for-sale					**105.4**
Total assets					**2,211.0**
Liabilities by segments	133.4	104.6	42.1	8.2	**288.3**
Interest-bearing non-current financial liabilities					**279.9**
Interest-bearing current financial liabilities					**278.4**
Other liabilities					**219.1**
Liabilities directly associated with the assets classified as held-for-sale					**19.8**
Total liabilities					**1,085.5**

2012	Paper	Municipal & Industrial	Oil & Mining	ChemSolutions	Group
Revenue	1,005.6	686.6	321.1	227.6	2,240.9
Operating profit	44.7	−16.5	14.2	−9.3	33.1
Finance expense, net					−15.7
Share of profit or loss of associates					11.2
Profit before tax					28.6
Income tax					−6.2
Net profit for the period					22.4
Depreciation and amortization	−45.9	−38.1	−16.5	−12.5	−113.0
Impairments	−2.8	−12.4	−0.5	−18.1	−33.8
Other non-cash items	−17.4	−24.1	−6.2	−4.5	−52.2
Capital expenditure	−72.2	−31.7	−20.2	−10.0	−134.1

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Kemira 2013 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

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2012	Paper	Municipal & Industrial	Oil & Mining	ChemSolutions	Group
OTHER SEGMENT INFORMATION					
Capital employed by segments (net)	771.6	325.2	162.6	95.5	1,354.9
Assets by segments	898.0	411.1	217.1	125.2	1,651.4
Investments in associates	0.5	0.7			122.8
Available-for-sale financial assets					264.0
Deferred income tax assets					30.1
Other investments					9.8
Defined benefit pension receivables					16.5
Other assets					141.7
Cash and cash equivalents					132.7
Non-current assets classified as held-for-sale					93.3
Total assets					2,462.3
Liabilities by segments	126.9	86.6	54.5	29.7	297.7
Interest-bearing non-current financial liabilities					387.5
Interest-bearing current financial liabilities					277.2
Other liabilities					228.3
Liabilities directly associated with the assets classified as held-for-sale					11.0
Total liabilities					1,201.7

INFORMATION ABOUT GEOGRAPHICAL AREAS

Analysis of revenue by geographical area based on customer location

	2013	2012
Finland, domicile of the parent company	**329.2**	312.7
Other Europe, Middle East and Africa	**941.9**	919.9
North America	**675.5**	689.4
South America	**152.5**	172.7
Asia Pacific	**130.0**	146.2
Total	**2,229.1**	2,240.9

Analysis of non-current assets by geographical area

	2013	2012
Finland, domicile of the parent company	**582.7**	783.5
Other Europe, Middle East and Africa	**435.2**	369.8
North America	**254.0**	265.3
South America	**83.4**	151.1
Asia Pacific	**76.3**	62.5
Total	**1,431.6**	1,632.2

Information about major customers

The Group's derives revenue is from many significant customers. However, 10% or more of the Group revenue is not derived from a single external customer in 2013 or 2012.

Kemira 2013 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

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3. OTHER OPERATING INCOME

	2013	2012
Gains on sale of non-current assets	3.6	0.1
Rental income	3.3	2.3
Insurance compensation received	0.1	2.5
Consulting	0.5	0.5
Services	0.0	2.6
Sale of scrap and waste	0.3	0.3
Income from royalties, know-how and licenses	0.6	0.6
Other income from operations	6.8	4.9
Total	15.2	13.8

The gain on sale of non-current assets EUR 3.6 million (EUR 0.1 million) includes gain on sale of property and production facilities.

4. OPERATING EXPENSES

	2013	2012
Change in inventories of finished goods (inventory increase + / decrease –)	–1.5	–36.5
Own work capitalized [1]	–2.1	–2.0
Total	–3.6	–38.5
Materials and services		
Materials and supplies		
Purchases during the financial year	1,214.8	1,293.1
Change in inventories of materials and supplies (inventory increase + / decrease –)	–10.6	–9.7
External services	21.5	11.5
Total	1,225.7	1,294.9
Employee benefit expenses	333.5	343.6
Other operating expenses		
Rents	37.8	47.4
Loss on sales of property, plant and equipment	46.0	0.1
Other expenses	463.0	427.3
Total	546.8	474.8
Total operating expenses	2,102.4	2,074.8

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

Other operating expenses include research and development expenses of EUR 32.1 million (EUR 36.7 million). Government grants received for R&D in 2013 were EUR 3.5 million (EUR 4.3 million). The extent of grants received reduces research and development expenses.

Kemira 2013 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

	Note	2013	2012
EMPLOYEE BENEFIT EXPENSES			
Wages and salaries			
Wages		**255.3**	267.6
Emoluments of Kemira Oyj's CEO and the Board of Directors	32	**1.3**	1.5
Share-based payments	5	**0.6**	2.4
Total		**257.2**	271.5
Indirect employee benefit expenses			
Pension expenses for defined benefit plans	23	**14.5**	8.1
Pension expenses for defined contribution plans		**21.9**	28.5
Other employee benefit costs		**39.9**	35.5
Total		**76.3**	72.1
Total employee benefit expenses		**333.5**	343.6

NUMBER OF PERSONNEL		
Average number of personnel by geographical area		
Europe, Middle East and Africa	**2,625**	2,935
North America	**1,272**	1,359
South America	**396**	417
Asia Pacific	**339**	332
Total	**4,632**	5,043
Personnel in Finland, average	**1,027**	1,173
Personnel outside Finland, average	**3,605**	3,870
Total	**4,632**	5,043
Number of personnel at 31 Dec	**4,453**	4,857

DELOITTE & TOUCHE OY'S FEES AND SERVICES		
Audit fees	**1.3**	1.1
Tax services	**0.0**	0.0
Other services [2)]	**1.1**	0.1
Total	**2.4**	1.2

[2)] Other services include fees related mainly to the 3F acquisition.

5. SHARE-BASED PAYMENTS

SHARE-BASED INCENTIVE PLAN FOR KEY PERSONNEL

The Kemira Board of Directors decided to establish a new share-based incentive plan that follows the already terminated 2007–2012 plan aimed at the key personnel for the years 2013–2014, as part of the company's incentive and commitment schemes. The delivery of share rewards within the plan is subject to achieving the performance targets set by the Board of Directors. Payment is tied to achieving the return on capital employed percentage (ROCE-%).

The value of the aggregate reward paid out in the plan may not exceed 100% of the other participants' gross salary for the same period. If the performance targets are achieved entirely, the maximum gross earning during the three-year plan is expected to be approximately 600,000 Kemira shares. The applicable taxes will be deducted from the gross earning and the remaining net value is delivered to the participants in Kemira shares. The shares earned through the plan must be held for a minimum of two years following each payment.

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

Share-based incentive plan 2010

Performance period	2010
Lock-up period of shares	2 years
Release date of shares	2013
Fair value of the reward paid as shares, EUR million	1,9
Fair value of the reward paid in cash, EUR million	2,6
Realization on closing date, shares (1,000)	221
Number of persons	64

For the share-based incentive plan 2013 the vesting period has ended and the financial targets were not achieved.

SHARE-BASED INCENTIVE PLANS FOR MANAGEMENT BOARD MEMBERS

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

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

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

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

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

Share-based incentive plan 2010

Performance period	2010
Lock-up period of shares	2 years
Release date of shares	2013
Fair value of the reward paid as shares, EUR million	0,9
Fair value of the reward paid in cash, EUR million	0,9
Realization on closing date, shares (1,000)	78
Number of persons	9

For the share-based incentive plan 2013 the vesting period has ended and the financial targets were not achieved.

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Long-term share-based incentive plan 2012–2014

Performance period	2012–2014
Lock-up period of shares	2 years
Release date of shares	2017
Fair value of the reward paid as shares, EUR million	0,5
Fair value of the reward paid in cash, EUR million	0,5
Number of persons	12

The effect of share-based incentive plans on operating profit	Key personnel	Management Board members	**2013 Total**	2012 Total
Share component	0.1	0.1	**0.2**	1.1
Cash component	0.3	0.1	**0.4**	1.3
Total	0.4	0.2	**0.6**	2.4

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	2013	2012
Amortization of intangible assets		
Other tangible assets	**9.4**	10.5
Development costs	**3.9**	3.8
Total	**13.3**	14.3
Depreciation of property, plant and equipment		
Buildings and constructions	**12.8**	20.1
Machinery and equipment	**61.0**	74.2
Other tangible assets	**2.6**	4.4
Total	**76.4**	98.7
Impairment of intangible assets		
Goodwill	**0.0**	19.5
Other intangible assets	**0.0**	0.0
Total	**0.0**	19.5
Impairment of property, plant and equipment		
Land	**0.0**	2.1
Buildings and constructions	**2.6**	8.0
Machinery and equipment	**6.8**	4.1
Other tangible assets	**0.2**	0.1
Total	**9.6**	14.3
Total depreciation, amortization and impairment	**99.3**	146.8

In 2013, an impairment loss of EUR 9.6 million is recognized in relation to buildings and constructions, machinery and equipment and other tangible assets. These impairment losses were mainly related to the process chemicals plant in Vaasa, Finland.

In 2012, an impairment loss of EUR 33.8 million was recognized in relation to goodwill, other intangible assets and tangible assets. These impairment losses were mainly related to the restructuring program "Fit for Growth" and goodwill impairment of EUR 18.0 million in the Kemira ChemSolutions B.V.

Impairment tests for goodwill are disclosed in Note 11.

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7. FINANCE INCOME AND EXPENSES

	2013	2012
Finance income		
Dividend income	0.2	7.8
Interest income		
Interest income from loans and receivables	0.7	1.4
Interest income from financial assets at fair value through profit or loss	3.2	4.8
Other finance income	0.3	1.1
Total	4.4	15.1
Finance expenses		
Interest expenses		
Interest expenses from other liabilities	–11.3	–16.5
Interest expenses from financial assets at fair value through profit or loss	–6.6	–7.0
Other finance expenses [1)] [2)]	–28.0	–7.3
Total	–45.9	–30.8
Exchange gains and losses		
Exchange gains and losses from financial assets and liabilities at fair value through profit or loss	11.7	–16.8
Exchange gains and losses from loans and other receivables	–2.2	–1.2
Exchange gains and losses from other liabilities	–7.0	18.0
Total	2.5	0.0
Total finance income and expenses	–39.0	–15.7
Net finance expenses as a percentage of revenue	1.7	0.7
Net interest as a percentage of revenue	0.6	0.8
Change in Consolidated Statement of Comprehensive Income from hedge accounting instruments		
Cash flow hedge accounting: Amount recognized in the Consolidated Statement of Comprehensive Income	–2.3	–1.0
Total	–2.3	–1.0
Exchange differences		
Realized	7.2	8.7
Unrealized	–4.7	–8.7
Total	2.5	0.0

1) Including ineffective portion of electricity hedge EUR 3.2 million (EUR –2.3 million).
2) Including non-recurring write-down of EUR 23 million related to the divestment of Kemira's share (39%) in the titanium dioxide associate Sachtleben.

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8. INVESTMENTS IN ASSOCIATES

	2013	2012
Carrying value at 1 Jan	**122.8**	158.8
Reclassification	**0.0**	–12.7
Paid-in-capital	**0.0**	–26.8
Dividends received	**0.0**	–7.7
Decreases	**–120.9**	0.0
Share of profit (+) / loss (–)	**–1.1**	11.2
Exchange differences	**0.0**	0.0
Carrying value at 31 Dec	**0.8**	122.8

Kemira Oyj and Rockwood Holdings Inc. signed an agreement on February 14, 2013, according to which Rockwood buys Kemira’s share (39%) of Sachtleben. The transaction price of the deal was EUR 97.5 million and impacted Kemira's cash flow positively in the first quarter of 2013. Kemira recognized a write-down of EUR 23 million related to the Sachtleben transaction.

			Group holding %	
Name	Country	City	2013	2012
FC Energia Oy	Finland	Ikaalinen	**34.0**	34.0
FC Power Oy	Finland	Ikaalinen	**34.0**	34.0
Haapaveden Ympäristöpalvelut Oy	Finland	Haapavesi	**40.5**	40.5
Honkalahden Teollisuuslaituri Oy	Finland	Joutseno	**50.0**	50.0
Kemwater Phil., Corp.	Philippines	Manila	**0.0**	40.0
Sachtleben GmbH	Germany	Frankfurt am Main	**0.0**	39.0
White Pigment LLC	United States	Princeton NJ	**0.0**	39.0

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

	2013	2012
Assets	**23.1**	871.8
Liabilities	**21.4**	682.0
Revenues	**5.5**	701.8
Profit (+) / loss (–) for the period	**0.2**	28.7

Transactions carried out with associates are disclosed in Note 32.

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9. INCOME TAXES

	2013	2012
Current taxes	–25.4	–29.5
Taxes for prior years	–0.2	–0.3
Change in deferred taxes	–2.8	23.6
Total	–28.4	–6.2

Total taxes increased to EUR 28.4 million (EUR 6.2 million), mainly due to non-deductable items and the change in Finnish tax rate. Subsidiaries still have EUR 93.3 million (EUR 58.7 million) tax losses of which no deferred tax benefits have been recognized.

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

RECONCILIATION BETWEEN TAX EXPENSE AND TAX CALCULATED AT DOMESTIC TAX RATE

	2013	2012
Profit before taxes	2.5	28.6
Tax at parent's tax rate 24.5%	–0.6	–7.0
Foreign subsidiaries' different tax rate	–1.4	–7.4
Non-deductible expenses and tax-exempt profits	–5.8	–3.1
Share of profit or loss of associates	–0.3	2.8
Tax losses	–16.3	–4.6
Tax for prior years	–0.2	–0.3
Adjustment of deferred tax in respect to prior years	1.8	14.3
Change in Finnish tax rate	–5.6	0.0
Change in Swedish tax rate	0.0	–0.7
Other	0.0	–0.2
Total taxes	–28.4	–6.2

THE TAX CHARGE / CREDIT RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME IS AS FOLLOWS:

	2013			2012		
	Before tax	Tax charge (–) /credit (+)	After tax	Before tax	Tax charge (–) /credit (+)	After tax
Available-for-sale financial assets	–41.1	14.1	–27.0	7.0	–1.5	5.4
Exchange differences on translating foreign operations			–17.7			2.3
Cash flow hedges	–3.2	0.9	–2.3	–1.3	0.3	–1.0
Remeasurements on defined benefit pensions	29.8	–7.2	22.6	–43.9	5.3	–38.6
Other comprehensive income	–14.5	7.8	–24.4	–38.2	4.1	–31.9

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10. EARNINGS PER SHARE

	2013	2012
Earnings per share, basic		
Net profit attributable to equity owners of the parent	**–31.6**	17.7
Weighted average number of shares [1]	**152,038,834**	152,037,158
Basic earnings per share, EUR	**–0.21**	0.12
Earnings per share, diluted		
Net profit attributable to equity owners of the parent	**–31.6**	17.7
Weighted average number of shares [1]	**152,038,834**	152,037,158
Adjustments for:		
Treasury shares possibly subject to emission in share-based payments	**140,033**	136,082
Weighted average number of shares for diluted earnings per share	**152,178,867**	152,173,240
Diluted earnings per share, EUR	**–0.21**	0.12

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

Comparative figures for 2012 have been restated according to the revised IAS 19 `Employee Benefits´, additional information is disclosed in the Group's accounting policies.

11. GOODWILL

	Note	2013	2012
Net book value at 1 Jan		**522.5**	606.0
Acquisition of subsidiary	27	**32.5**	0.0
Additions		**1.5**	0.0
Disposal of subsidiaries		**–41.1**	0.0
Impairments		**0.0**	–19.5
Transferred to non-current asset classified as held-for-sale	18	**–35.8**	–57.0
Exchange differences		**–7.7**	–7.0
Net book value at 31 Dec		**471.9**	522.5

In 2013, goodwill increased by EUR 34.0 million, which is related to 3F Chimica S.p.A and Soto Industries Inc acquisitions. Goodwill was decreased by EUR 41.1 million due to the sale of coagulant business to Bauminas Química Ltda. A further net book value of EUR 35.8 million transferred to assets held-for-sale relates to goodwill of ChemSolutions' formic acid business and Municipal & Industrial's distribution business in Denmark.

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

GOODWILL IMPAIRMENT TESTS

The Group performed its annual impairment test for goodwill on September 30. Impairment tests for goodwill are also carried out whenever changes in circumstances indicate that the carrying amount may not be recoverable. The estimated value in use by all segments exceeded their carrying values. As a result, no goodwill impairment was recognized in 2013 (2012: no impairment).

In 2013, goodwill impairment tests used in cash-generating units was changed to meet the new organizational structure of the financial reporting. Comparative financials for 2012 have been reclassified in the below table to reflect the current cash-generating unit structure. Goodwill has been allocated at the level of four individual cash-generating units. The reportable segment has been defined as a cash-generating unit. The reportable segment represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The Group's four reportable segments are Paper, Municipal & Industrial, Oil & Mining and ChemSolutions. A summary of the carrying amounts and goodwill to the Group's reportable segments is presented in the table below.

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	Dec 31, 2013		Dec 31, 2012	
	Carrying amount	of which goodwill	Carrying amount	of which goodwill
Paper	803	322	805	324
Municipal & Industrial	303	68	341	115
Oil & Mining	225	82	163	50
ChemSolutions	24	0	96	34
Total	1,355	472	1,405	523

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 horizon of five-year. Forecasts for cash flow growth reflect the management's perception of developments in sales and cost items during the forecast period. The growth rate used to extrapolate cash flows subsequent to the five-year forecast period was assumed to be zero.

DISCOUNT RATE

The discount rates applied were based on the Group's adjusted weighted average cost of capital (WACC). The risk-adjusted WACC rate was defined 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 table below.

%	2013	2012
Paper	7.5	8.1
Municipal & Industrial	6.9	7.7
Oil & Mining	7.7	8.0
ChemSolutions	7.5	8.6

SENSITIVITY ANALYSIS

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

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12. OTHER INTANGIBLE ASSETS

2013	Internal generated development costs	Other intangible assets	Prepayments	Total
Cost at 1 Jan	47.2	154.7	4.5	**206.4**
Acquisition of subsidiaries		20.8		**20.8**
Additions		3.9	4.5	**8.4**
Disposal of subsidiaries		–0.1		**–0.1**
Decreases		–0.1		**–0.1**
Transferred to non-current assets classified as held-for-sale		–12.0		**–12.0**
Reclassifications			–0.2	**–0.2**
Exchange rate differences		–1.1	0.1	**–1.0**
Cost at 31 Dec	47.2	166.1	8.9	**222.2**
Accumulated amortization at 1 Jan	–34.0	–111.9		**–145.9**
Accumulated amortization relating to decreases and transfers		0.2		**0.2**
Amortization during the financial year	–3.9	–9.4		**–13.3**
Transferred to non-current assets classified as held-for-sale		11.2		**11.2**
Exchange rate differences		0.9		**0.9**
Accumulated amortization at 31 Dec	–37.9	–109.0		**–146.9**
Net book value at 31 Dec	**9.3**	**57.1**	**8.9**	**75.3**

Other intangible assets transferred to non-current assets classified as held-for-sale amounts to EUR 0.8 million that are used by the formic acid business within the ChemSolutions segment. See Note 18 for further details regarding the held-for-sale.

2012	Internal generated development costs	Other intangible assets	Prepayments	Total
Cost at 1 Jan	47.2	157.1	6.1	210.4
Additions		4.2	3.8	8.0
Decreases		–0.1		–0.1
Transferred to non-current assets classified as held-for-sale		–11.1		–11.1
Other changes		–0.9		–0.9
Reclassifications		5.4	–5.4	0.0
Exchange rate differences		0.1		0.1
Cost at 31 Dec	47.2	154.7	4.5	206.4
Accumulated amortization at 1 Jan	–30.2	–112.7		–142.9
Accumulated amortization relating to decreases and transfers				0.0
Amortization during the financial year	–3.8	–10.5		–14.3
Transferred to non-current assets classified as held-for-sale		10.6		10.6
Other changes		0.9		0.9
Exchange rate differences		–0.2		–0.2
Accumulated amortization at 31 Dec	–34.0	–111.9		–145.9
Net book value at 31 Dec	13.2	42.8	4.5	60.5

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

Kemira 2013 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

13. PROPERTY, PLANT AND EQUIPMENT

2013	Land	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Prepayments and non–current assets under construction	Total
Cost at 1 Jan	50.6	392.7	1,136.5	32.9	111.0	**1,723.7**
Acquired subsidiaries	5.1	10.7	14.2	0.2	0.1	**30.3**
Additions	0.3	4.8	55.1	3.9	52.2	**116.3**
Disposal of subsidiaries	−0.6	−3.0	−8.5	−4.0	−4.9	**−21.0**
Decreases		−2.0	−4.4	−0.7	−1.5	**−8.6**
Transferred to non-current assets classified as held-for-sale	−0.1	−13.4	−86.6	−2.4	−3.5	**−106.0**
Other changes			0.3	0.1	−0.1	**0.3**
Reclassifications	0.5	−4.6	8.2	5.0	−8.8	**0.3**
Exchange rate differences	−1.3	−11.0	−28.8	−0.5	−4.1	**−45.7**
Cost at 31 Dec	54.5	374.2	1,086.0	34.5	140.4	**1,689.6**
Accumulated depreciation at 1 Jan	−8.5	−235.0	−805.6	−18.7		**−1,067.8**
Accumulated depreciation related to decreases and transfers		1.5	4.8	0.5		**6.8**
Disposal of subsidiaries		0.8	2.2	0.1		**3.1**
Depreciation during the financial year		−12.8	−61.0	−2.6		**−76.4**
Impairments		−2.6	−6.8	−0.2		**−9.6**
Transferred to non-current assets classified as held-for-sale		7.3	63.5	1.3		**72.1**
Other changes			0.1			**0.1**
Exchange rate differences		6.2	19.3	1.1		**26.6**
Accumulated depreciation at 31 Dec	−8.5	−234.6	−783.5	−18.5		**−1,045.1**
Net book value at 31 Dec	**46.0**	**139.6**	**302.5**	**16.0**	**140.4**	**644.5**

Property, plant and equipment transferred to non-current assets classified as held-for-sale amounts to EUR 33.9 million that are used by the formic acid business within the ChemSolutions segment and the distribution business in Denmark. See Note 18 for further details regarding the held-for-sale.

Prepayment and non-current assets under construction mainly comprises plant investments in China and Europe.

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2012	Land	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Prepayments and non–current assets under construction	Total
Cost at 1 Jan	52.8	393.7	1,136.6	31.4	58.1	1,672.6
Additions		4.9	52.2	4.3	73.9	135.3
Decreases	–1.7	–0.7	–7.3	–0.4		–10.1
Transferred to non-current assets classified as held-for-sale	–1.0	–14.9	–20.3	–0.1	–2.0	–38.3
Other changes		–2.3	–36.7	–1.8	–0.5	–41.3
Reclassifications	–0.1	9.1	7.9	0.1	–17.0	0.0
Exchange rate differences	0.6	2.9	4.1	–0.6	–1.5	5.5
Cost at 31 Dec	50.6	392.7	1,136.5	32.9	111.0	1,723.7
Accumulated depreciation at 1 Jan	–8.1	–215.4	–775.7	–17.4		–1,016.6
Accumulated depreciation related to decreases and transfers	1.7	0.2	5.4			7.3
Depreciation during the financial year		–20.1	–74.2	–4.4		–98.7
Impairments	–2.1	–8.0	–4.1	–0.1		–14.3
Transferred to non-current assets classified as held-for-sale		8.4	12.6	0.1		21.1
Other changes		2.7	35.1	2.6		40.4
Exchange rate differences		–2.8	–4.7	0.5		–7.0
Accumulated depreciation at 31 Dec	–8.5	–235.0	–805.6	–18.7		–1,067.8
Net book value at 31 Dec	42.1	157.7	330.9	14.2	111.0	655.9

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

Finance lease assets

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

	2013	2012
Cost - capitalized finance leases	**6.2**	3.7
Accumulated depreciation	**–1.7**	–1.6
Net book amount	**4.5**	2.1

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

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14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013	2012
Net book value at 1 Jan	**264.0**	256.5
Additions	**4.1**	0.5
Disposals	**−2.5**	0.0
Change in fair value	**−41.1**	7.0
Reclassification	**9.1**	0.0
Exchange rate differences	**0.0**	0.0
Net book value at 31 Dec	**233.6**	264.0

The available-for-sale financial assets include the shares in Pohjolan Voima Group; their valuation principles are described in more detail in Kemira Group's accounting policies. Kemira Oyj owns 4% of Pohjolan Voima Oy and 1% of Teollisuuden Voima Oyj. The fair value of the shares is based on the discounted cash flow resulting from the difference between the market price and the production cost of electricity. The discount rate used to calculate the net present value at the year-end is an annually defined weighted average cost of capital. The discount rate in 2013 was 5%. A 10% decrease in the electricity market future price would decrease the fair value of shares by approximately 13%. An increase of 1% in the discount rate would decrease the fair value by approximately 7%.

The shares of Pohjolan Voima Group	Class of shares	Holding %	Class of assets	**2013 Fair value**	2012 Fair value
Pohjolan Voima Oy	A	5	water power	**26.3**	28.4
Pohjolan Voima Oy	B	3	nuclear power	**45.2**	59.8
Pohjolan Voima Oy	B2	7	nuclear power	**81.2**	81.2
Teollisuuden Voima Oyj	A	2	nuclear power	**48.6**	68.8
Other Pohjolan Voima Oy and Teollisuuden Voima Oyj	C, C2, G5, G6, H, M	several	several	**24.4**	24.4
Total				**225.7**	262.6

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

2013	Note	Financial instruments under hedge accounting	Financial assets at fair value through profit and loss	Loans and receivables	Available–for–sale investments	Other liabilities	Total carrying amounts by balance sheet item	Total fair value
Non-current financial assets								
Investments	14							
Available-for-sale financial assets			6.6		227.0		**233.6**	**233.6**
Current financial assets								
Receivables	17							
Interest-bearing receivables				0.5			**0.5**	**0.5**
Non-interest bearing receivables								
Trade receivables				255.0			**255.0**	**255.0**
Other receivables			4.2				**4.2**	**4.2**
Total			10.8	255.5	227.0		**493.3**	**493.3**
Non-current financial liabilities								
Interest-bearing liabilities	20							
Loans from financial institutions						270.0	**270.0**	**274.1**
Other liabilities						9.9	**9.9**	**10.0**
Other liabilities						21.4	**21.4**	**21.4**
Current financial liabilities								
Interest-bearing liabilities	20							
Loans from financial institutions						58.3	**58.3**	**59.2**
Other liabilities						220.1	**220.1**	**221.0**
Non-interest bearing current liabilities	25							
Trade payables						143.3	**143.3**	**143.3**
Other liabilities		11.4	3.3				**14.7**	**14.7**
Total		11.4	3.3			723.0	**737.7**	**743.7**

Kemira 2013 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

2012	Note	Financial instruments under hedge accounting	Financial assets at fair value through profit and loss	Loans and receiv-ables	Available–for–sale investments	Other liabilities	Total carrying amounts by balance sheet item	Total fair value
Non-current financial assets								
Investments	14							
Available-for-sale financial assets					264.0		264.0	264.0
Current financial assets								
Receivables	17							
Interest-bearing receivables				0.3			0.3	0.3
Non-interest bearing receivables								
Trade receivables				292.2			292.2	292.2
Other receivables			3.4				3.4	3.4
Total			3.4	292.5	264.0		559.9	559.9
Non-current financial liabilities								
Interest-bearing liabilities	20							
Loans from financial institutions						379.9	379.9	386.8
Other liabilities						7.6	7.6	7.7
Other liabilities						21.4	21.4	21.4
Current financial liabilities								
Interest-bearing liabilities	20							
Loans from financial institutions						52.8	52.8	53.8
Current portion of other non-current liabilities						10.8	10.8	10.8
Other liabilities						213.6	213.6	213.6
Non-interest bearing liabilities	25							
Trade payables						157.6	157.6	157.6
Other liabilities		12,1	2.6				14.7	14.7
Total		12,1	2.6			843.7	858.4	866.4

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

The carrying amount represents the maximum credit risk.

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

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FAIR VALUE HIERARCHY	2013 Level 1	Level 2	Level 3	Total net	2012 Level 1	Level 2	Level 3	Total net
Available-for-sale financial assets	6.6		227.0	233.6			264.0	264.0
Currency investments		0.7		0.7		1.7		1.7
Interest rate instruments, hedge accounting		–3.6		–3.6		–6.2		–6.2
Other instruments		–7.6		–7.6		–6.7		–6.7
Money market instruments				0.0	7.1			7.1
Total	6.6	–10.5	227.0	223.1	7.1	–11.2	264.0	259.9

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

Level 2: Fair value is determined by using valuation techniques. The fair value refers to the value that is observable from the market value of elements of the financial instrument or from the market value of corresponding financial instrument; or the value that is observable by using commonly accepted valuation models and techniques, if the market value can be measured reliably 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 SPECIFICATION	Level 3 Total net 2013	Level 3 Total net 2012
Instrument		
Carrying value at 1 Jan	264.0	256.5
Effect on the Statement of Comprehensive Income	–41.1	6.9
Transfers	0.0	0.0
Increases	4.1	0.6
Decreases	0.0	0.0
Carrying value at 31 Dec	227.0	264.0

16. INVENTORIES

	2013	2012
Materials and supplies	52.6	62.2
Finished goods	108.6	110.0
Prepayments	8.7	9.7
Total	169.9	181.9

In the financial year, EUR 2.6 million (EUR 9.5 million) of inventory value was recognized as expense in order to decrease the book values of inventories to correspond with their net realizable value.

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17. RECEIVABLES

	Note	2013	2012
Interest-bearing receivables			
Loan receivables		**0.5**	0.3
Trade and other receivables			
Trade receivables	29	**255.0**	292.2
Prepayments		**4.3**	6.5
Accrued income		**30.0**	31.7
Other receivables		**31.6**	22.7
Total trade and other receivables		**320.9**	353.1

Items that are due in a time period longer than one year include trade receivables of EUR 0.3 million (EUR 0.6 million), prepaid expenses and accrued income of EUR 2.0 million (EUR 2.0 million), non-interest bearing receivables of EUR 0.6 million (EUR 0.2 million) and loan receivables of EUR 0.0 million (EUR 0.1 million).

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

ASSETS CLASSIFIED AS HELD-FOR-SALE

	2013	2012
Goodwill	**35.8**	57.0
Intangible assets	**0.8**	0.5
Property, plant and equipment	**33.9**	17.2
Inventories	**15.3**	6.8
Other current assets	**19.6**	11.8
Total	**105.4**	93.3

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

	2013	2012
Trade payables and other liabilities	**12.3**	7.7
Other current liabilities	**7.5**	3.3
Total	**19.8**	11.0

The assets and liabilities related to sale of formic acid business to Taminco (Allentown, Pennsylvania, USA) and hydrochloric acid, sulfuric acid and sodium hydroxide (caustic soda) in Denmark to Brenntag Group, have been presented as held-for-sale in the Financial Statements 2013.

Kemira signed an agreement on December 23, 2013 to sell its formic acid business, including the feed and airport runway deicing product lines. The transaction includes a manufacturing asset for formic acid in Oulu, Finland, and approximately 160 employees, that will transfer to Taminco. The transaction is subject to the fulfillment of customary closing conditions, and the closing is expected during the first quarter of 2014. The agreed transaction price is EUR 140 million and will be paid fully at closing. Sodium percarbonate, the remaining business within the ChemSolutions segment, will stay within Kemira and will be reported as part of the Paper segment.

Kemira is selling its distribution business in Denmark and certain assets in Copenhagen. The distribution business is a currently part of Kemira's Municipal & Industrial segment. The transaction has been completed during the first quarter of 2014.

The assets and liabilities related to ChemSolutions B.V. have been presented as held-for-sale in the Financial Statements 2012 due to a sales agreement signed on December 14, 2012. Based on the sale agreement, Kemira sold its food and pharmaceutical businesses together with its acetate based chemicals business to Niacet (Niagara Falls, USA). These businesses were the part of Kemira's ChemSolutions business. All shares of Kemira ChemSolutions B.V., including the manufacturing site in Tiel (the Netherlands), were transferred from Kemira to Niacet Corp. The other businesses of the ChemSolutions segment, including the chemical, feed and de-icing business, which are linked to Kemira's formic acid production in Oulu (Finland), remain within Kemira. The transaction was completed on 1 March 2013.

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19. SHAREHOLDERS' EQUITY

CHANGES IN NUMBER OF SHARES AND SHARE CAPITAL

	Number of shares outstanding (1,000)	Share capital
January 1, 2012	152,030	221.8
Treasury shares issued to key personnel and Management Board members	0	
Treasury shares issued to the Board of Directors	11	
Acquisition of treasury shares	0	
Shares from the share-based arrangement given back	0	
December 31, 2012	152,041	221.8
January 1, 2013	**152,041**	**221.8**
Treasury shares issued to key personnel and Management Board members	**0**	
Treasury shares issued to the Board of Directors	**8**	
Acquisition of treasury shares	**0**	
Shares from the share-based arrangement given back	**–7**	
December 31, 2013	**152,042**	**221.8**

Kemira Oyj has one class of shares. Each share entitles its holder to one vote at the Annual General Meeting. On December 31, 2013, the share capital was EUR 221.8 million and the total number of shares issued was 155,342,557 including 3,301,006 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.

SHARE PREMIUM

The share premium is a reserve accumulated through subscriptions entitled by the management stock option program of 2001. This reserve is based on the old Finnish Companies Act (734/1978), which 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, 2013, other reserves were EUR 3.7 million (EUR 4.3 million).

UNRESTRICTED EQUITY RESERVE

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

EXCHANGE DIFFERENCES

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

TREASURY SHARES

Kemira had 3,301,006 of its treasury shares in possession on December 31, 2013. The average share price of treasury shares was EUR 6.73, and they represented 2.1% of the share capital and the aggregate number of votes conferred by all shares. The aggregate par value of the treasury shares is EUR 4.7 million.

Kemira 2013 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

OTHER COMPREHENSIVE INCOME IN THE STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012	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
Net profit for the period							17.7	17.7	4.7	22.4
Other comprehensive income										
Items that may be reclassified subsequently to profit or loss:										
Available-for-sale financial assets			5.4					5.4		5.4
Exchange differences on translating foreign operations					1.6			1.6	0.7	2.3
Cash flow hedges			−1.0					−1.0		−1.0
Items that will not be reclassified subsequently to profit or loss:										
Remeasurements on defined benefit pensions							−38.6	−38.6		−38.6
Other comprehensive income for the period, net of tax			4.4		1.6		−38.6	−32.6	0.7	−31.9
Total comprehensive income for the period			4.4		1.6		−20.9	−14.9	5.4	−9.5

Year ended 31 December 2013	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**
Net profit for the period							−31.6	**−31.6**	5.7	**−25.9**
Other comprehensive income										
Items that may be reclassified subsequently to profit or loss:										
Available-for-sale financial assets			−27.0					**−27.0**		**−27.0**
Exchange differences on translating foreign operations					−17.1			**−17.1**	−0.6	**−17.7**
Cash flow hedges			−2.3					**−2.3**		**−2.3**
Items that will not be reclassified subsequently to profit or loss:										
Remeasurements on defined benefit pensions							22.6	**22.6**		**22.6**
Other comprehensive income for the period, net of tax			−29.3		−17.1		22.6	**−23.8**	−0.6	**−24.4**
Total comprehensive income for the period			**−29.3**		**−17.1**		**−9.0**	**−55.4**	**5.1**	**−50.3**

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20. INTEREST-BEARING LIABILITIES

	2013	2012
Interest-bearing current liabilities		
Loans from financial institutions	**58.3**	52.8
Current portion of other non-current loans	**0.0**	10.8
Finance lease liabilities	**0.9**	1.1
Other interest-bearing current liabilities	**219.2**	212.5
Total	**278.4**	277.2
Interest-bearing non-current liabilities		
Loans from financial institutions	**270.0**	379.9
Finance lease liabilities	**1.8**	0.0
Other non-current liabilities from others	**8.1**	7.6
Total	**279.9**	387.5
Non-current interest-bearing liabilities maturing in		
2015 (2014)	**93.5**	56.5
2016 (2015)	**33.2**	112.2
2017 (2016)	**60.3**	33.5
2018 (2017)	**67.9**	56.8
2019 (2018) or later	**23.2**	128.5
Total	**278.1**	387.5
Interest-bearing liabilities maturing in five years or over a longer period of time		
Loans from financial institutions	**23.2**	128.5
Total	**23.2**	128.5

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

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

Net liabilities	2013	2012
Interest-bearing non-current liabilities	**279.9**	387.5
Interest-bearing current liabilities	**278.4**	277.2
Cash and cash equivalents	**–102.0**	–132.7
Total	**456.3**	532.0

21. FINANCE LEASE LIABILITIES

	2013	2012
Maturity of minimum lease payments		
No later than 1 year	**1.0**	0.9
1–5 years	**1.2**	0.2
Later than 5 years	**0.8**	0.0
Total minimum lease payments	**3.0**	1.1
Present value of finance lease liabilities		
Total minimum lease payments	**3.0**	0.9
Future finance charges on finance leases	**–0.3**	0.0
Present value of finance lease liabilities	**2.7**	0.9
Maturity of the present value of finance lease liabilities		
No later than 1 year	**0.9**	0.9
1–5 years	**1.1**	0.2
Later than 5 years	**0.7**	0.0
Total present value of finance lease liabilities	**2.7**	1.1

Kemira 2013 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

22. DEFERRED TAX LIABILITIES AND ASSETS

	Jan 1, 2013	Recognized in the income statement	Recognized in other comprehensive income	Recognized in equity	Acquired subsidiaries	Exchange differences and reclassifications	Dec 31, 2013
Deferred tax liabilities							
Depreciation difference and untaxed reserves	49.6	3.1				–2.0	**50.7**
Available-for-sale financial assets	31.5	0.0	–14.0			–0.1	**17.4**
Defined benefit pensions	5.9	–2.7	5.1			–1.1	**7.2**
Fair value adjustments of net assets acquired [1]	3.5	–0.7			6.6	–0.6	**8.8**
Other	3.4	0.6	0.7	0.0		1.0	**5.7**
Total	93.9	0.3	–8.2	0.0	6.6	–2.8	**89.8**
Deferred tax assets deducted	–54.8						**–46.3**
Total deferred tax liabilities in the balance sheet	39.1						**43.5**
Deferred tax assets							
Provisions	5.4	2.9				–1.4	**6.9**
Tax losses	44.1	3.3				–1.2	**46.2**
Defined benefit pensions	3.2	–0.7				1.3	**3.8**
Other	32.2	–8.0	1.1	0.0		0.1	**25.4**
Total	84.9	–2.5	1.1	0.0	0.0	–1.2	**82.3**
Deferred tax liabilities deducted	–54.8						**–46.3**
Total deferred tax assets in the balance sheet	30.1						**36.0**

	Jan 1, 2012	Recognized in the income statement	Recognized in other comprehensive income	Recognized in equity	Acquired subsidiaries	Exchange differences and reclassifications	Dec 31, 2012
Deferred tax liabilities							
Depreciation difference and untaxed reserves	58.5	–9.5				0.6	49.6
Available-for-sale financial assets	29.6	0.2	1.7				31.5
Defined benefit pensions	10.7	0.3	–5.1				5.9
Fair value adjustments of net assets acquired [1]	4.4	–0.9					3.5
Other	33.9	–28.2		–2.3			3.4
Total	137.1	–38.1	–3.4	–2.3	0.0	0.6	93.9
Deferred tax assets deducted	–50.2						–54.8
Total deferred tax liabilities in the balance sheet	86.9						39.1
Deferred tax assets							
Provisions	5.6	–0.2					5.4
Tax losses	48.1	–3.8				–0.2	44.1
Defined benefit pensions	2.2	0.7	0.2			0.1	3.2
Other	41.8	–11.2	0.3	0.6		0.7	32.2
Total	97.7	–14.5	0.5	0.6	0.0	0.6	84.9
Deferred tax liabilities deducted	–50.2						–54.8
Total deferred tax assets in the balance sheet	47.5						30.1

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

The Finnish corporate tax rate change from 24.5% to 20% was enacted on December 17, 2013, and will be effective from January 1, 2014. The relevant deferred tax balances have been remeasured at the new 20% tax rate in the Consolidated Financial Statements year ended on December 31, 2013.

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23. DEFINED BENEFIT PLANS

In the beginning of 2013, Kemira Group has applied the revised IAS 19 `Employee Benefits´. The effect of applying the IAS 19 revised is disclosed in the Group's accounting policies in section `New and amended IFRSs adopted in 2013´.

The Group has various pension plans in accordance with the local conditions and practices of its operating countries. The pension plans include both defined benefit and defined contribution pension plans. The majority of the pension plans are defined benefit contribution plans. The Group applies defined benefit plans in Finland, the Netherlands, Sweden, Germany, UK, France, Norway and Canada. The defined benefit pension benefits are determined by salary, retirement age, disability, mortality or termination of employment.

The Group's most significant defined benefit plan is arranged in Finland through the pension fund Neliapila that takes care of part of some employees additional pension benefits. The pension fund Neliapila covers most of Kemira's employees as a rule, whose employment has begun prior to 1.1.1991, meaning that the fund is closed for new employees. The plan is a final average pay pension plan concerning additional pension benefits.

AMOUNTS RECOGNIZED IN THE BALANCE SHEET - DEFINED BENEFIT PLANS

	2013	2012
Defined benefit obligations	423.8	454.5
Fair value of plan assets	–379.8	–392.2
Surplus (–) / Deficit (+)	44.0	62.3
The effect of asset ceiling	0.0	8.3
Net recognized assets (–) / liabilities (+) in the balance sheet	**44.0**	70.6
Liabilities for defined benefit plans	73.8	87.1
Assets for defined benefit plans	–29.8	–16.5
Net recognized assets (–) / liabilities (+) of defined benefit plans in the balance sheet	**44.0**	70.6

AMOUNTS RECOGNIZED IN THE COMPREHENSIVE INCOME - DEFINED BENEFIT PLANS

	2013	2012
Service cost	12.4	4.2
Net interest cost	2.1	3.9
Components of defined benefit costs recorded in the income statement	**14.5**	8.1
Remeasurements on defined benefit pensions	–22.6	38.6
Defined benefit costs recognized in the other comprehensive income	**–22.6**	38.6
Total of components of defined benefit plans	**–8.1**	46.7

The service cost and the net interest cost for the period is included in the employee benefits expenses in the Consolidated Income Statement. The remeasurements of defined benefit pension plans are included in the Statement of Comprehensive Income as part of other comprehensive income.

THE MOVEMENT IN THE DEFINED BENEFIT OBLIGATION OVER THE PERIOD

	2013	2012
Defined benefit obligation at 1 Jan	454.5	366.1
Current service cost	5.7	4.8
Interest cost	13.6	16.7
Actuarial losses (+) / gains (-) on obligation	–9.9	81.1
Exchange differences on foreign plans	–3.6	3.8
Effect of business combinations and divestments	–18.3	0.0
Benefits paid	–24.9	–20.3
Curtailments and settlements	6.1	2.5
Past service cost	0.9	0.0
Other movements	–0.3	–0.2
Defined benefit obligation at 31 Dec	**423.8**	454.5

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MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS OVER THE PERIOD

	2013	2012
Fair value at 1 Jan	**392.2**	355.6
Interest income	**11.5**	16.9
Contributions	**5.0**	7.1
Actuarial losses (–) / gains (+) on plan assets	**8.0**	33.4
Exchange differences on foreign plans	**–1.7**	–0.2
Effect of business combinations and divestments	**–12.6**	0.0
Benefits paid	**–22.7**	–20.3
Settlements	**0.0**	–0.3
Other movements	**0.1**	0.0
Fair value of plan assets at 31 Dec	**379.8**	392.2

ANALYSIS OF PLAN ASSETS BY ASSET CATEGORY

	2013	2012
Shares	**129.9**	122.2
Mutual funds, interest rate investments and other assets	**234.5**	254.6
Kemira Oyj's shares	**1.4**	1.4
Property occupied by the Group	**14.0**	14.0
Total assets	**379.8**	392.2

The Finnish pension fund Neliapila, which has the most of the defined plan's assets, hold a significant proportion of equities and high-yield corporate bonds which are expected to outperform corporate bonds in the long-term while causing volatility and risk in the short term. In 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. Investments are in such a way diversified that the failure of any single investment would not have a material impact on the overall level of assets. In Neliapila the risk management process has not been changed from previous years.

The actual return on plan assets of the Group's defined benefit plan was EUR 19.5 million (EUR 50.3 million).

SIGNIFICANT ACTUARIAL ASSUMPTIONS, %

	2013	2012
Discount rate	**3.0–4.8**	3.0–4.7
Inflation rate	**1.0–3.3**	1.5–3.0
Future salary increases	**1.0–3.5**	1.0–3.1
Future pension increases	**1.0–3.3**	1.3–3.3

SENSITIVITY ANALYSES

If the discount rate would be 0.5% lower, the defined benefit obligation would increase by EUR 16.5 million in case all other assumptions were held constant.

The sensitivity analysis is based on maintaining other assumptions stagnant even through one assumption changes. In practice, this is unlikely to occur and changes in some of the assumptions may correlate. 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.

Expected contributions to the defined benefit plans for the year ended December 31, 2014, are EUR 5.8 million.

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24. PROVISIONS

	Personnel related provisions	Restructuring provisions	Environmental and damage provisions	Other provisions	2013
Non-current provisions					
At 1 Jan	4.9	2.1	14.8	0.0	**21.8**
Exchange rate differences	0.1		–0.9		**–0.8**
Additional provisions and increases in existing provisions	1.2	0.1	10.5	1.0	**12.8**
Used during the financial year	–0.1	–0.6	–2.3		**–3.0**
Unused amounts reversed	–0.1				**–0.1**
Changes in subsidiaries	0.4		–3.7		**–3.3**
Reclassification	–2.1		2.0		**–0.1**
At 31 Dec	**4.3**	**1.6**	**20.4**	**1.0**	**27.3**
Current provisions					
At 1 Jan	8.1	8.9	4.9	1.9	**23.8**
Exchange rate differences	–0.3			–0.2	**–0.5**
Additional provisions and increases in existing provisions	12.2	5.2	0.7	0.4	**18.5**
Used during the financial year	–10.9	–1.9	–1.8	–0.2	**–14.8**
Unused amounts reversed	–0.3	–0.3			**–0.6**
Changes in subsidiaries				–1.3	**–1.3**
Reclassification	2.1		–2.0		**0.1**
At 31 Dec	**10.9**	**11.9**	**1.8**	**0.6**	**25.2**

	2013	2012
Analysis of total provisions		
Non-current provisions	**27.3**	21.8
Current provisions	**25.2**	23.8
Total	**52.5**	45.6

In 2013, increase in personnel related and restructuring provisions relate mainly to the paper chemicals plant closure in Vaasa and the business service center established Gdansk, Poland.

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

More information about environmental provisions can be found in Note 31, Environmental risks and liabilities.

25. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2013	2012
Trade payables and other current liabilities		
Prepayments received	**1.7**	0.9
Trade payables	**143.3**	157.6
Accrued expenses	**129.5**	128.9
Other non-interest bearing current liabilities	**28.1**	28.1
Total trade payables and other current liabilities	**302.6**	315.5
Accrued expenses		
Employee benefits	**36.3**	32.6
Items related to revenues and purchases	**58.6**	53.4
Interest	**2.2**	9.2
Exchange rate differences	**3.6**	1.7
Other	**28.8**	32.0
Total accrued expenses	**129.5**	128.9

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26. SUPPLEMENTARY CASH FLOW INFORMATION

	2013	2012
Disposal of subsidiaries		
Proceeds from the disposals	89.2	–
Cash and cash equivalents in disposed companies	–1.7	–
Total cash flow on disposals of subsidiaries	87.5	–
Assets and liabilities disposed of subsidiaries		–
Net working capital	7.4	–
Property, plant and equipment and intangible assets	133.7	–
Other non-interest bearing receivables	0.8	–
Interest-bearing liabilities	–0.8	–
Non-interest bearing liabilities	–7.3	–
Total assets and liabilities of disposed subsidiaries	133.8	–

27. BUSINESS COMBINATIONS

On 1 July 2013, Kemira announced that it had acquired 3F Chimica S.p.A., a privately owned company, headquartered in Sandrigo, Italy, excluding a certain part of their assets located in the US. Kemira acquired 100% of the share capital of 3F and obtained control of 3F. The provisional goodwill of EUR 32.5 million arising from the acquisition is attributable to acquired production capacities from manufacturing sites in Italy and USA and the expected synergy benefits.

3F produces dry and emulsion polyacrylamide polymers and related process chemicals. Their polymer production is supported by backward integrated key intermediates, such as bio-acrylamide and cationic monomers. The acquisition includes two manufacturing sites in Italy (San Giorgio and Sandrigo) and one manufacturing site in USA (Aberdeen, Mississippi). 3F products are used in retention and drainage in paper production, in drilling, extraction and stimulation in the oil & gas industry, in production optimization in the mining industry as well as in wastewater treatment and sludge dewatering.

The following table summarizes the consideration paid for 3F, and the amounts of the assets acquired and liabilities assumed recognized on the acquisition date.

	Note	
Consideration at 1 October 2013		
Cash		59.5
Recognized amounts of identifiable assets acquired and liabilities assumed		
Technologies, customer relationships and other intangible assets	12	20.8
Property, plant and equipment	13	30.4
Inventories		8.7
Trade and other receivables		12.1
Cash and cash equivalents		0.9
Interest-bearing liabilities		–26.0
Deferred tax liabilities		–6.6
Trade and other payables		–13.3
Total identifiable net assets		27.0
Goodwill	11	32.5
		59.5

The fair value of the acquired net assets is preliminary and depends on the final valuations.

Acquisition-related costs of EUR 1.6 million have been included in other operating expenses in the Consolidated Income Statement for the year ended 31 December 2013.

Had 3F been consolidated from 1 January 2013, the consolidated income statement would show pro forma revenue of EUR 72.5 million and operating profit of EUR 2.9 million. The pro forma amounts are provided for comparative purposes only and do not necessarily reflect the actual result that would have occurred, nor is it necessarily indicative of future results of operations of the combined companies.

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

Kemira 2013 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
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28. DERIVATIVE INSTRUMENTS

NOMINAL VALUES	2013 < 1 year	2013 > 1 year	2013 Total	2012 < 1 year	2012 > 1 year	2012 Total
Currency instruments						
Forward contracts	604.8	–	604.8	611.2	–	611.2
Interest rate instruments						
Interest rate swaps	42.6	152.0	194.6	17.4	155.8	173.2
of which cash flow hedges	42.6	152.0	194.6	17.4	155.8	173.2
Bond futures	–	10.0	10.0	–	10.0	10.0
of which open	–	10.0	10.0	–	10.0	10.0
Other instruments						
Electricity forward contracts, bought (GWh)	521.2	929.3	1,450.5	538.8	762.3	1,301.1
of which cash flow hedges (GWh)	521.2	929.3	1,450.5	538.8	718.5	1,257.3

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

FAIR VALUES	2013 Assets gross	2013 Liabilities gross	2013 Total net	2012 Assets gross	2012 Liabilities gross	2012 Total net
Currency instruments						
Forward contracts	4.0	−3.3	0.7	3.4	−1.7	1.7
Interest rate instruments						
Interest rate swaps	–	−3.6	−3.6	–	−6.2	−6.2
of which cash flow hedges		−3.6	−3.6	–	−6.2	−6.2
Bond futures	0.2	–	0.2	–	−0.1	−0.1
of which open	0.2	–	0.2	–	−0.1	−0.1
Other instruments						
Electricity forward contracts, bought	–	−7.8	−7.8	–	−6.7	−6.7
of which cash flow hedges	–	−7.8	−7.8	–	−5.9	−5.9

FAIR VALUES	2013 Assets gross < 1 year	2013 Assets gross > 1 year	2013 Liabilities gross < 1 year	2013 Liabilities gross > 1 year	2012 Assets gross < 1 year	2012 Assets gross > 1 year	2012 Liabilities gross < 1 year	2012 Liabilities gross > 1 year
Currency instruments								
Forward contract	4.0	–	−3.3	–	3.4	–	−1.7	–
Interest rate instruments								
Interest rate swaps	–	–	−0.5	−3.1	–	–	−0.2	−6.0
of which cash flow hedges	–	–	−0.5	−3.1	–	–	−0.2	−6.0
Bond futures	–	0.2	–	–	–	–	–	−0.1
of which open	–	0.2	–	–	–	–	–	−0.1
Other instruments								
Electricity forward contracts, bought	–	–	−4.3	−3.5	0.2	–	−4.3	−2.6
of which cash flow hedges	–	–	−4.3	−3.5	0.2	–	−4.3	−1.8

29. MANAGEMENT OF FINANCIAL RISKS

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

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

FOREIGN EXCHANGE RISK

Foreign currency transaction risk arises from net currency flows denominated in currencies other than the domestic currency within and outside the eurozone. The Group's most significant transaction currency risks arise from the Swedish krona and the Canadian dollar. At the end of the year the denominated exchange rate risk of the Swedish krona had an equivalent value of approximately EUR 33 million (EUR 43 million), the average hedging rate being 79% (45%). The CAD denominated exchange rate risk had an equivalent value of approximately EUR 30 million (EUR 26 million), the average hedging rate being 42% (50%). Kemira is exposed to smaller transaction risks in relation to the UK pound, Norwegian krona and U.S. dollar with the annual exposure in those currencies being approximately EUR 30 million.

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

	2013				2012			
Transaction and translation exposure, EUR million	**SEK**	**CAD**	**USD**	**Other**	SEK	CAD	USD	Other
Operative cash flow forecast [1]	**–33.5**	**30.4**	**4.6**	**49.5**	–43.3	26.0	11.7	70.1
Loans, net	**17.6**	**1.0**	**241.6**	**61.1**	18.2	–	208.0	49.5
Derivatives, transaction hedging	**31.6**	**–19.1**	**–2.2**	**21.4**	25.1	–11.4	–12.1	33.3
Derivatives, translation hedging	**1.6**	**–1.0**	**–228.9**	**–68.7**	–	–	–182.0	–50.2
Total	**17.3**	**11.3**	**15.1**	**63.3**	0.0	14.6	25.6	102.7

[1] Based on 12 months operative cash flow forecast

At the turn of 2013/2014, the foreign currency operative cash flow forecast for 2014 was EUR 118 million of which 63% was hedged (55%). The hedge ratio is monitored daily. In hedging the total cash flow risk, a neutral level is achieved when 50% of the forecasted net foreign currency cash flow is hedged. A minimum of 30% and a maximum of 100% of the forecast flow must always be hedged. A 10% fall in foreign exchange rates against the euro, based on the exchange rates quoted on the balance sheet date, and without hedging, would reduce earnings before taxes by about EUR 10 million.

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

Kemira's main equity items denominated in foreign currencies are in the Swedish krona and US 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. In accordance with the Group's policy, Kemira must take equity hedging measures if a change of +/– 5% in foreign exchange rates causes a change of more than 1.5 percentage points in the equity ratio. Long-term loans are primarily used for hedging of net investment. These hedges apply without hedge accounting.

INTEREST RATE RISK

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

The duration of the Group's interest-bearing loan portfolio was 14 months at the end of 2013 (16 months). Excluding the interest rate derivatives, the duration was

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7 months (7 months). At the end of 2013, 60% of the Group's entire net debt portfolio, including derivatives and pension loans, consisted of fixed-interest borrowings (56%). The net financing cost of the Group was 2.7% (3.5%). This figure is attained by dividing yearly net interest and other financing expenses excluding exchange rate differences and dividends by the average interest bearing net debt figure for the corresponding period. The most significant impact on the net financing cost arises from variation in the interest rate levels of the euro and the US dollar denominated debt. On the balance sheet date the average interest rate of loan portfolio was approximately 1.5%.

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

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

Time to interest rate fixing at Dec 31, 2013	< 1 year	1–5 years	> 5 year	Total
Floating net liabilities	182	–	–	182
Fixed net liabilities	43	207	24	274
Total	225	207	24	456

Time to interest rate fixing at Dec 31, 2012	< 1 year	1–5 years	> 5 year	Total
Floating net liabilities	232	–	–	232
Fixed net liabilities	17	211	72	300
Total	249	211	72	532

As a consequence of this treasury policy, the Group's average interest rate is generally higher than short-term market interest rates when low rates prevail and, on the other hand, lower than market interest rates when high rates prevail. If interest rates would rise by one percentage point on January 1, 2014, the resulting interest expenses before taxes incurred by the Group over the next 12 months would increase by about EUR 1.4 million (EUR 2.1 million). During 2014, Kemira will reprice 46% (55%) of the Group's net debt portfolio, including derivatives.

On the balance sheet date, the Group had outstanding interest rate derivatives with a market value of EUR –3.6 million (EUR –6.2 million). All interest rate swaps are used to hedge the Group's loan portfolio, and are accounted for in accordance with the principles of hedge accounting set out in IAS 39. The Group's accounting policies section describes the Group policy regarding hedge accounting. One percentage point increase in interest rates would result in a positive impact of EUR 1.4 million (EUR 0.6 million) in equity (before taxes) from hedge accounting interest rate swaps.

PRICE RISK

The price of electricity varies greatly according to the market situation. Kemira Group takes hedging measures with respect to its electricity purchases in order to even out raw material costs. In line with its hedging policy, the Group hedges its existing sales agreements in such a way that the hedges cover the commitments made. The company primarily uses electricity forwards on the power exchange as hedging instruments. Currency and regional price risks connected with hedges are hedged by making agreements with Finland area, mainly in HELEUR amounts and Sweden area, mainly in MALSEK amounts, which is located in the largest consumption in Sweden. The majority of outstanding electricity derivatives are treated in accordance with cash flow hedge accounting, as discussed above. The forecast for physical deliveries of the underlying asset, or purchases, are not recorded until the delivery period. A 10% change in the market price of electricity hedging contracts would impact the valuation of these contracts EUR +/–5.1 million (EUR +/–5.3 million).

CREDIT AND COUNTERPARTY RISK

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

The Group Treasury approves the new banking relationships of subsidiaries. At present, there are 11 approved financial institution counterparties used by the Group Treasury, all of which have a credit rating of at least A, based on Standard & Poor's credit rating information. The maximum risk assignable to the Group's financial institution counterparties on the balance sheet date amounted to EUR 106,2 million on the balance sheet date (EUR 136.1 million). Kemira monitors its counterparty risk on a monthly basis by defining the maximum risk associated with each counterparty, based on the market value of receivables. For each financial institution, Kemira has defined an approved limit. Credit risks associated with financing transactions did not result in credit losses during the financial year.

The counterparty risk in treasury operations is due to the fact that a contractual party to a financing transaction is not necessarily able to fulfill its contractual obligations. Risks are mainly related to investment activities and the counterparty risks associated with derivative contracts. The Group Treasury may invest a maximum of EUR 150 million in liquid assets in the commercial papers of Finnish companies. The maximum single investment is EUR 25 million for a period of up to six months.

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Kemira has a Group wide credit policy in place. Products are sold on open account only to companies whos credit information does not indicate payment irregularities. The Group does not have any significant credit risk concentrations because of its extensive customer base across the world. Credit limits apply to most customers and are monitored systematically. In some cases, documentary payments are in use, such as letters of credit. The age distribution of trade receivables outstanding at the end of 2013 is shown in the following table.

AGEING OF TRADE RECEIVABLES	2013	2012
Undue trade receivables	212.0	247.7
Trade receivables 1–90 days overdue	40.3	43.4
Trade receivables more than 91 days overdue	2.7	1.1
Total	**255.0**	292.2

Impairment loss of trade receivables amounted to EUR 4.4 million (EUR 3.3 million).

In December 2013 Kemira signed an accounts receivable purchase facility worth USD 40 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 17.8 million at 31 December 2013. The amounts recognized in the balance sheet at 31 December 2013 due to the continuing involvement are EUR 0.6 million in assets and EUR 0.2 million in liabilities.

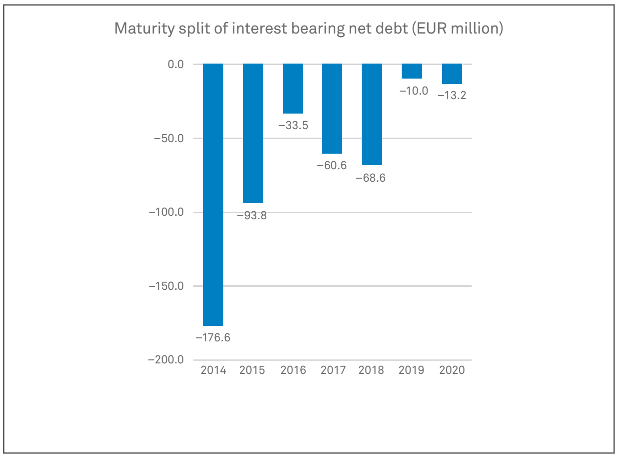
LIQUIDITY AND REFINANCING RISKS

In order to safeguard its liquidity, the Group uses account overdrafts, money market investments and a revolving credit facility. At the end of 2013 the Group's cash and cash equivalents stood at EUR 102.0 million (EUR 132.7 million), of which short-term investment accounted for EUR 14.4 million (EUR 42.0 million) and bank deposits EUR 87.6 million (EUR 90.7 million).

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

In accordance with the Group Treasury policy, the average maturity of outstanding loans should always be at least 3 years. The Group must have committed credit facilities to cover planned funding needs, the current portion of long term debt, commercial paper borrowings and other uncommitted short-term loans in the next 12 months. Moreover, the maturity profile of the long-term debt portfolio and refinancing should be planned so that a maximum of 30% of the total debt portfolio will mature during the next 12 month period. The average maturity of debt at the end of 2013 was 4.2 years.

The Group has a EUR 600 million domestic commercial paper program enabling it to issue commercial papers with a maximum maturity of one year. At the end of 2013 the amount raised from commercial paper markets was EUR 163.8 million. Simultaneously the group had EUR 102 million of outstanding liquid short- and long-term investments. In addition, the Group has 5+1+1 year revolving credit facility of EUR 400 million. At the turn of the year 2013/2014 the revolving credit facility was undrawn. The revolving credit facility represents a flexible form of both short-term and long-term financing with a predictable fee structure.



CAPITAL STRUCTURE MANAGEMENT

The Group's 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.

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

Kemira 2013 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

Note
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The new revolver credit facility agreement contains a covenant according to which the company gearing must be under 100%.

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

The Board of Directors will propose a per-share dividend of EUR 0.53 for 2013 (EUR 0.53), corresponding to a dividend payout ratio of –255% (455%). The long-term objective is to distribute 40–60% of the net operating income in dividends to the shareholders.

	2013	2012
Interest-bearing liabilities	**558.3**	664.7
Cash and cash equivalents	**102.0**	132.7
Interest-bearing net liabilities	**456.3**	532.0
Equity	**1,125.5**	1,260.6
Total assets	**2,211.0**	2,462.3
Gearing	**41%**	42%
Equity ratio	**51%**	51%

CASH AND CASH EQUIVALENTS

	2013		2012	
	Book value	**Fair value**	Book value	Fair value
Cash and cash equivalents	**87.6**	**87.6**	90.7	90.7
Money market investments	**14.4**	**14.4**	34.9	34.9
Investments for the interest funds	**–**	**–**	7.1	7.1
Total	**102.0**	**102.0**	132.7	132.7

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

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

Currency

	Dec 31, 2013		Maturity					
	Fair value	**Book value**	2014	2015	2016	2017	2018	2019–
EUR	**195.1**	**190.5**	25.8	76.4	24.3	24.3	16.5	23.2
USD	**136.3**	**135.9**	32.3	10.3	8.9	33.0	51.4	0.0
Other	**10.0**	**10.0**	0.2	6.8	–	3.0	–	–
Total	**341.4**	**336.4**	58.3	93.5	33.2	60.3	67.9	23.2

Currency

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

The figures include the amortizations planned for 2014 (2013) excluding commercial papers, finance lease liabilities and other current loans.

Kemira 2013 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

CASH FLOW FROM ALL FINANCIAL LIABILITIES

Loan type	**Dec 31, 2013**		Maturity					
	Drawn	**Undrawn**	2014	2015	2016	2017	2018	2019–
Long-term interest bearing liabilities	**336.4**		58.3	93.5	33.2	60.3	67.9	23.2
financial expenses			0.9	1.4	0.5	0.9	1.0	0.3
Revolving credit facility	**–**	**400.0**						
financial expenses								
Finance lease liabilities	**2.7**		0.9	0.3	0.3	0.3	0.2	0.7
financial expenses			0.1					
Commercial paper program	**163.8**	**436.2**	163.8					
financial expenses			1.0					
Other interest-bearing current loans	**55.4**		55.4					
financial expenses			0.8					
Interest-bearing loans total	**558.3**	**836.2**	281.2	95.2	34.0	61.5	69.1	24.2
Trade payables	**143.3**							
Forward contracts								
liabilities	**604.8**		604.8					
assets	**–605.5**		–605.5					
Other derivatives[1]	**11.4**		4.8	3.2	2.8	0.4	0.2	
Trade payables and derivatives total	**154.0**		4.1	3.2	2.8	0.4	0.2	
Total	**712.3**	**836.2**	285.3	98.4	36.8	61.9	69.3	24.2
Guarantees			3.1					

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

[1] Interest rate swaps and electricity forwards.

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30. COMMITMENTS AND CONTINGENT LIABILITIES

	2013	2012
LOANS SECURED BY MORTGAGES IN THE BALANCE SHEET AND FOR WHICH MORTGAGES ARE GIVEN AS COLLATERAL		
Mortgages given	**0.0**	0.5
CONTINGENT LIABILITIES		
Assets pledged		
On behalf of own commitments	**6.4**	6.6
Guarantees		
On behalf of own commitments	**50.4**	52.9
On behalf of associates	**0.0**	0.7
On behalf of others	**3.1**	3.0
Operating lease commitments – the Group as lessee		
Minimum lease payments under operating leases are as follows:		
No later than 1 year	**26.4**	29.0
Later than 1 year and no later than 5 years	**63.3**	63.2
Later than 5 years	**76.6**	69.2
Total	**166.3**	161.4
Other obligations		
On behalf of own commitments	**1.6**	1.3
On behalf of associates	**0.7**	1.0

THE MOST SIGNIFICANT OFF-BALANCE SHEET INVESTMENTS COMMITMENTS

Major amounts of contractual commitments for the acquisition of property, plant and equipment on December 31, 2013 were about EUR 12.3 million (EUR 21.6 million) for plant investment in China and Europe.

LITIGATION

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

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

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

The process is currently pending in the Regional Court of Dortmund, Germany. It has on April 29, 2013 decided to suspend the case and to ask a preliminary ruling on jurisdiction from the Court of Justice of the European Union. Kemira defends against the claim of Cartel Damage Claims Hydrogen Peroxide SA.

Kemira Oyj has additionally been served on April 28, 2011 a summons stating that Cartel Damage Claims

Hydrogen Peroxide SA has filed an application for summons in the municipal court of Helsinki on April 20, 2011 for violations of competition law applicable to the hydrogen peroxide business claiming from Kemira Oyj as maximum compensation EUR 78.0 million as well as overdue interest starting from November 10, 2008 as litigation expenses with overdue interest. The referred violations of competition law are the same as those on basis of which CDC has taken legal action in Germany in Dortmund. The municipal court has on July 4, 2013 made a decision which can not be appealed separately. In its decision the municipal court considers to have jurisdiction and that the claims made by the claimant are at least not totally time-barred. The next phase of the case is the consideration of the principal claim at the municipal court. Kemira defends against the claim of Cartel Damage Claims Hydrogen Peroxide SA.

Kemira Oyj's subsidiary Kemira Chemicals Oy (former Finnish Chemicals Oy) has on June 9, 2011 received documents where it is stated that CDC Project 13 SA was filed an action against four companies in municipal court of Amsterdam, including Kemira, asking damages for violations of competition law applicable to the 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. Next the municipal court of Amsterdam will decide in respect to its jurisdiction. Kemira defends against the claim of CDC Project 13 SA.

Kemira is currently not in a position to make any estimate regarding the duration or the likely outcome of the processes started by Cartel Damage Claims Hydrogen Peroxide SA and CDC Project 13 SA. No assurance can be given as to the outcome of the processes, and unfavorable judgments against Kemira could have a material adverse effect on Kemira's business, financial condition or results of operations. Due to its extensive international operations the Group, in addition to the above referred claims, is involved in a number of other legal proceedings incidental to these operations and it does not expect the outcome of these other currently pending legal proceedings to have materially adverse effect upon its consolidated results or financial position.

31. ENVIRONMENTAL RISKS AND LIABILITIES

The bulk of Kemira's business is in the chemical industry, products and operations of which 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. Divestments and acquisitions changed the Group's environmental liabilities. Provisions for environmental remediation totaled EUR 22.2 million (EUR 19.7 million). The increase is mainly explained by additional clean-up work required by the authorities. The biggest provisions relate to the waste piling area in Pori, site closures and the limited reconditioning of the sediment of a lake adjacent to the Vaasa plant.

EMISSION ALLOWANCES

The Group holds assigned emissions allowances under the EU Emissions Trading System at one site in Sweden and one in Finland. At Group level, the allowances showed a net surplus of 59,393 tons (a net deficit of 29,139 tons in 2012).

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Kemira 2013 Consolidated Financial Statements • Notes to the Consolidated Financial Statements (EUR million)

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32. RELATED PARTIES

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

	Wages, salaries and other benefits, EUR	Bonuses, EUR	Share–based payments, EUR	2013	2012
CEO Wolfgang Büchele (since April 1, 2012)	744,486	220,080		**964,566**	655,605
CEO Harri Kerminen (until March 31, 2012)					506,637
Deputy CEO Jyrki Mäki-Kala (until May 5, 2013)	99,616	41,733		**141,349**	273,265
Deputy CEO Jukka Hakkila (since May 6, 2013)	119,779	41,778		**161,557**	–
Other members of key management	2,170,117	302,450		**2,472,567**	2,098,535

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

MANAGEMENT'S PENSION COMMITMENTS AND TERMINATION BENEFITS

Wolfgang Büchele is Kemira Oyj's CEO. He will leave the position of CEO on April 30, 2014. On January 7, 2014, Jari Rosendal was appointed as Kemira Oyj's CEO as of May 1, 2014. Former deputy CEO Jyrki Mäki-Kala joined another company from May 5, 2013. Jukka Hakkila was appointed as deputy CEO from May 6, 2013.

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

CEO's notice period is 12 months, applying to both sides. In addition to the salary of the notice period, CEO is not entitled to a separate severance pay.

THE BOARD OF DIRECTORS' EMOLUMENTS

The Annual General Meeting decided on March 26, 2013, that the annual fee for the Board of Directors 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. According to the decision, 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, 2013.

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

MEMBERS OF THE BOARD OF DIRECTORS

	Number of shares	Share value, EUR	Cash compensation, EUR	2013 Total, EUR	2012 Total, EUR
Jukka Viinanen, Chairman (since March 21, 2012)	2,556	29,829	55,094	**84,923**	83,142
Pekka Paasikivi, Chairman (until March 21, 2012)					2,400
Jari Paasikivi, Vice Chairman (since March 21, 2012)	1,554	18,135	41,575	**59,710**	54,321
Elizabeth Armstrong (until March 26, 2013)			7,200	**7,200**	74,177
Wolfgang Büchele (until March 21, 2012)					3,600
Winnie Fok	1,244	14,517	52,450	**66,967**	66,977
Juha Laaksonen	1,554	18,135	38,575	**56,710**	46,577
Kerttu Tuomas	1,244	14,517	32,650	**47,167**	44,177

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TRANSACTIONS CARRIED OUT WITH RELATED PARTIES

	2013	2012
Sales		
Associated companies	2.3	44.0
Purchases		
Associated companies	2.6	5.5
Pension Fund Neliapila	1.1	1.1
Total	3.7	6.6
Receivables		
Associated companies	0.2	0.1
Liabilities		
Associated companies	0.3	0.5
Pension Fund Neliapila	0.0	0.3
Total	0.3	0.8

The amount of contingent liabilities on behalf of associates are presented in Note 30.

Related parties include the Pension Fund Neliapila, which is a separate legal entity. Pension Fund Neliapila manages Kemira Oyj's voluntarily organized additional pension fund. Pension Fund Neliapila manages part of the pension assets of the Group's personnel in Finland. The assets include Kemira shares representing 0.08% of the company's outstanding shares.

No loans had been granted to the management at year-end of 2012 and 2013, nor were there contingency items or commitments on behalf of key management personnel.

33. CHANGES IN THE GROUP STRUCTURE

ACQUISITIONS OF GROUP COMPANIES AND NEW SUBSIDIARIES THAT HAVE BEEN FOUNDED

- Kemira established a new company Kemira Gdańsk Sp. z.o.o. in Poland on January 15, 2013.
- Kemira established a new company Kemira Chemicals Germany GmbH in Germany on March 28, 2013.
- Kemira established a new company Kemira (Asia) Co., Ltd. in China on August 16, 2013.
- Kemira aquired Kemira 3F Chimica S.p.A., Kemira Italy S.p.A. and 3F Chimica Deutschland GmbH on October 1, 2013.
- Kemira established a new company Suomen Muurahaishappo Oy in Finland on December 16, 2013.

DIVESTMENTS OF GROUP COMPANIES

- Kemira ChemSolutions B.V. was sold on March 1, 2013.
- Kemira Polar A/S was sold on August 31, 2013.
- SC Kemwater Cristal SRL was sold on September 1, 2013.
- Kemira Teesport Limited was dissolved on December 10, 2013.
- Nheel Quimica Ltda was sold on December 10, 2013.

CHANGES IN THE HOLDINGS OF GROUP COMPANIES WITHIN THE GROUP

- Kemira Oyj sold its 100% ownership in Kemira Chimica Srl to Kemira Europe Oy on September 24, 2013.
- Kemira Europe Oy transferred its Kemira 3F Chimica S.p.A. shares to Kemira Chimica Srl on October 15, 2013.
- Kemira 3F Chimica S.p.A sold its 100% ownership in 3F Chimica Deutschland GmbH to Kemira Chemicals Germany GmbH on December 4, 2013.

NAME CHANGES

Former name	New name
Kemira Chemicals S.A./N.V.	Kemira Chemicals NV
Spruce Vakuutus Oy	Ruoholahden Kuusenkerkkä Oy

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34. THE GROUP'S SUBSIDIARIES

Kemira Oyj	**Kemira Group's Holding %**	**City** Helsinki	**Country** Finland
3F Chimica Deutschland GmbH	100.00	Neumarkt in der Oberpflaz	Germany
Aliada Quimica de Portugal Lda.	50.10	Estarreja	Portugal
AS Kemivesi	100.00	Tallinn	Estonia
Chesapeake Agro-Iron, LLC	100.00	Atlanta, GA	United States
Clean Water Logistics, LLC	100.00	Atlanta, GA	United States
Corporación Kemira Chemicals de Venezuela, C.A.	100.00	Caracas	Venezuela
Finnchem Canada Inc.	100.00	Ontario	Canada
Finnchem USA, Inc.	100.00	Delaware	United States
Finnish Chemicals Corporation	100.00	Delaware	United States
HTC Augusta Inc.	100.00	Delaware	United States
Industry Park i Helsingborg Förvaltning AB	100.00	Helsingborg	Sweden
Kemifloc a.s.	51.00	Prerov	Czech Republic
Kemifloc Slovakia S.r.o.	51.00	Sol	Slovakia
Kemipol Sp. z o.o.	51.00	Police	Poland
Kemira (Asia) Co., Ltd.	100.00	Shanghai	China
Kemira 3F Chimica S.p.A.	100.00	Sandrigo	Italy
Kemira Argentina S.A.	100.00	Buenos Aires	Argentina
Kemira Asia Pacific Pte. Ltd.	100.00	Singapore	Singapore
Kemira Cell sp.z.o.o	55.00	Ostroleka	Poland
Kemira Chemicals (Nanjing) Co. Ltd.	100.00	Nanjing	China
Kemira Chemicals (Shanghai) Co. Ltd.	100.00	Shanghai	China
Kemira Chemicals (UK) Ltd	100.00	Harrogate	United Kingdom
Kemira Chemicals (Yanzhou) Co., Ltd .	100.00	Yanzhou City	China
Kemira Chemicals AS	100.00	Gamle Fredrikstad	Norway
Kemira Chemicals Brasil Ltda	100.00	São Paulo	Brazil
Kemira Chemicals Canada Inc.	100.00	Maitland	Canada
Kemira Chemicals Germany GmbH	100.00	Frankfurt am Main	Germany
Kemira Chemicals India Private Limited	99.99	Hyderabad	India
Kemira Chemicals NV	100.00	Aartselaar	Belgium
Kemira Chemicals Oy	100.00	Helsinki	Finland
Kemira Chemicals, Inc.	100.00	Atlanta, GA	United States
Kemira Chemie Ges.mbH	100.00	Krems	Austria
Kemira Chile Comercial Limitada	100.00	Santiago	Chile
Kemira Chimica Srl	100.00	Milan	Italy
Kemira Chimie S.A.S.U.	100.00	Lauterbourg	France
Kemira de México, S.A. de C.V.	100.00	Tlaxcala	Mexico
Kemira Europe Oy	100.00	Helsinki	Finland
Kemira Finance Solutions B.V.	100.00	Rotterdam	Netherlands
Kemira France SAS	100.00	Lauterbourg	France
Kemira Gdańsk Sp. z o.o.	100.00	Gdansk	Poland
Kemira Germany GmbH	100.00	Leverkusen	Germany
Kemira Germany Sales GmbH	100.00	Leverkusen	Germany
Kemira GrowHow A/S	100.00	Fredericia	Denmark
Kemira Hong Kong Company Limited	100.00	Hong Kong	China
Kemira Ibérica S.A.	100.00	Barcelona	Spain
Kemira Ibérica Sales and Marketing S.L.	100.00	Barcelona	Spain

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Kemira Oyj	Kemira Group's Holding %	City	Country
Kemira Indus Limited	51.00	Hyderabad	India
Kemira International Finance B.V.	100.00	Rotterdam	Netherlands
Kemira Italy S.p.A.	100.00	San Giorgio di Nogaro	Italy
Kemira Kemi AB	100.00	Helsingborg	Sweden
Kemira Kopparverket KB	100.00	Helsingborg	Sweden
Kemira Korea Corporation	100.00	Seoul	South-Korea
Kemira KTM d.o.o.	100.00	Ljubljana	Slovenia
Kemira Logistics, Inc.	100.00	Atlanta, GA	United States
Kemira Nederland Holding B.V.	100.00	Rotterdam	Netherlands
Kemira New Chemicals Inc.	100.00	Savannah, GA	United States
Kemira Operon Oy	100.00	Helsinki	Finland
Kemira Rotterdam B.V.	100.00	Rotterdam	Netherlands
Kemira South Africa (Pty) Ltd	100.00	Weltevredenpark	South Africa
Kemira Specialty Chemicals, Inc.	100.00	Atlanta, GA	United States
Kemira Świecie Sp. z o.o.	100.00	Swiecie	Poland
Kemira Taiwan Corporation	100.00	Taipei	Taiwan
Kemira Uruguay S.A.	100.00	Montevideo	Uruguay
Kemira Water Danmark A/S	100.00	Esbjerg	Denmark
Kemira Water Solutions Brasil -Produtos para tratamento de agua Ltda.	100.00	São Paulo	Brazil
Kemira Water Solutions Canada Inc.	100.00	Varennes Qs	Canada
Kemira Water Solutions, Inc.	100.00	Atlanta, GA	United States
Kemwater Brasil S.A.	100.00	Camaçari	Brazil
Kemwater ProChemie s.r.o.	95.10	Bakov nad Jizerou	Czech Republic
LA Water, LLC	100.00	Atlanta, GA	United States
PT Kemira Indonesia	100.00	Jakarta	Indonesia
Riverside Development Partners, LLC	100.00	Atlanta, GA	United States
Ruoholahden Kuusenkerkkä Oy	100.00	Helsinki	Finland
Scandinavian Tanking System A/S	100.00	Copenhagen	Denmark
Suomen Muurahaishappo Oy	100.00	Helsinki	Finland
Water Elements Las Vegas, LLC	100.00	Atlanta, GA	United States
Water Elements, LLC	100.00	Atlanta, GA	United States
ZAO "Kemira HIM"	100.00	St. Petersburg	Russia
ZAO Kemira Eko	100.00	St. Petersburg	Russia

35. EVENTS AFTER THE BALANCE SHEET DATE

Kemira sold its distribution of hydrochloric acid, sulfuric acid and sodium hydroxide (caustic soda) in Denmark to Brenntag Group. The deal included the distribution business and certain assets in Copenhagen. The distribution business was part of Kemira's Municipal & Industrial segment. The transaction has been completed during the first quarter of 2014.

On January 7, 2014, Kemira Board of Directors appointed Jari Rosendal as Kemira Oyj´s President and Chief Executive Officer as of May 1, 2014.

Kemira 2013 Consolidated Financial Statements • Income Statement (EUR million)

Income Statement (FAS)

		Year ended 31 December	
	Note	2013	2012
Revenue	2	**1,382,093,042.77**	1,356,011,965.24
Change in inventories of finished goods	4	**5,360,719.99**	14,276,924.76
Other operating income	3	**26,077,105.50**	13,863,720.94
Materials and services	4	**−937,879,560.52**	−931,863,961.91
Personnel expenses	5	**−47,129,227.77**	−49,839,739.00
Amortization and impairments	6	**−34,130,718.97**	−29,881,605.41
Other operating expenses	4	**−404,735,455.50**	−410,793,314.02
Operating profit/loss		−10,344,094.50	−38,226,009.40
Financial income and expenses	7	**147,046,343.79**	86,898,894.14
Profit/loss before extraordinary items		136,702,249.29	48,672,884.74
Extraordinary items	8	**10,760,000.00**	12,071,000.00
Profit/loss before appropriations and taxes		147,462,249.29	60,743,884.74
Appropriations	6	**−474,630.03**	1,790,382.73
Income tax	9	**−5,809,899.08**	6,145,810.39
Net profit/loss		141,177,720.18	68,680,077.86

Kemira 2013 Consolidated Financial Statements • Balance Sheet (EUR million)

Balance Sheet (FAS)

	Note	Year ended 31 December 2013	2012
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	**100,964,301.36**	114,097,259.02
Property, plant and equipment	11	**27,739,469.56**	24,020,440.42
Investments	12		
Holdings in subsidiaries		**1,521,871,906.66**	1,582,549,112.46
Holdings in associates		**0.00**	98,987,988.91
Other shares and holdings		**140,284,625.87**	136,249,905.46
Total investments		**1,662,156,532.53**	1,817,787,006.83
Total non-current assets		**1,790,860,303.45**	1,955,904,706.27
CURRENT ASSETS			
Inventories	13	**79,273,543.06**	88,228,906.08
Non-current receivables	14	**157,196,898.40**	143,711,805.66
Current receivables	14	**322,047,359.83**	276,741,222.50
Money market investments - cash equivalents	15	**2,785,859.04**	19,761,023.23
Cash and cash equivalents		**114,914,629.36**	39,602,156.70
Total current assets		**676,218,289.69**	568,045,114.17
Total assets		**2,467,078,593.14**	2,523,949,820.44

	Note	31.12.2013	31.12.2012
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		**–5,079,068.12**	–2,282,814.00
Reserve for unrestricted capital invested		**199,963,876.20**	199,963,876.20
Retained earnings		**340,837,348.99**	352,690,300.41
Net profit/ loss for the financial year		**141,177,720.18**	68,680,077.86
Total equity		**1,156,539,336.88**	1,098,690,900.10
Appropriations	17	**11,319,859.13**	10,845,229.10
Obligatory provisions	18	**26,006,246.27**	17,246,839.53
LIABILITIES			
Non-current liabilities	19	**290,130,674.23**	325,376,340.60
Current liabilities	20	**983,082,476.63**	1,071,790,511.11
Total liabilities		**1,273,213,150.86**	1,397,166,851.71
Total equity and liabilities		**2,467,078,593.14**	2,523,949,820.44

Kemira 2013 Consolidated Financial Statements • Cash Flow Statement (EUR million)

Cash Flow Statement (FAS)

	Year ended 31 December	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating result	**141,177,720.18**	68,680,077.86
Adjustments to operating result		
Depreciation, amortization and impairment	**34,130,718.97**	29,881,605.41
Income taxes	**5,809,899.08**	−6,145,810.39
Finance expenses, net	**−147,046,343.79**	−86,898,894.14
Other non-cash income and expenses not involving cash flow	**63,701,307.67**	−49,960,750.36
Operating profit before change in working capital	**97,773,302.11**	−44,443,771.62
Change in working capital		
Increase (−) / decrease (+) in inventories	**8,955,363.02**	16,924,532.63
Increase (−) / decrease (+) in trade and other receivables	**−47,197,356.58**	103,915,855.57
Increase (+) / decrease (−) in trade payables and other liabilities	**−5,033,556.25**	37,050,721.40
Change in working capital	**−43,275,549.81**	157,891,109.60
Cash generated from operations	**54,497,752.30**	113,447,337.98
Interest and other finance cost paid	**−47,766,225.86**	−33,074,989.98
Interest and other finance income received	**11,609,335.19**	18,093,852.07
Realized exchange gains and losses	**8,679,990.78**	8,931,950.42
Dividends received	**228,906,770.99**	136,551,879.14
Income taxes paid	**−2,473,464.65**	−3,279.65
Net cash generated from operating activities	**253,454,158.75**	243,946,749.98
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of subsidiaries	**−24,218,481.57**	−7,847,070.15
Acquisitions of associated companies, and other shares	**−4,084,808.00**	−401,356.55
Purchase of intangible assets	**−16,146,329.32**	−7,773,477.18
Purchase of other plant, property and equipment	**−8,107,154.15**	−4,511,370.28
Proceeds from sale of subsidiaries and other shares	**100,034,117.62**	26,832,000.00
Proceeds from sale of other plant, property and equipment and intangible assets	**3,245,955.74**	3,789.64
Change in loan receivables, net increase (−) / decrease (+)	**−13,485,092.74**	−28,371,943.60
Net cash used in investing activities	**37,238,207.58**	−22,069,428.12
Cash flow before financing	**290,692,366.33**	221,877,321.86
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from non-current interest-bearing liabilities (+)	**0.00**	70,185,247.34
Repayment from non-current interest-bearing liabilities (−)	**−35,245,666.37**	−25,407,302.63
Short-term financing, net increase (+) / decrease (−)	**−131,411,404.02**	−240,482,574.61
Dividends paid	**−80,577,701.47**	−80,575,845.00
Received group contribution	**12,071,000.00**	68,194,000.00
Net cash used in financing activities	**−235,163,771.86**	−208,086,474.90
Net increase (+) / decrease (−) in cash and cash equivalents	**55,528,594.47**	13,790,846.96
Cash and cash equivalents at 1 Jan	**59,363,179.93**	48,947,678.11
Exchange gains (+) / losses (−) on cash and cash equivalents	**2,808,714.00**	−3,375,345.14
Cash and cash equivalents at 31 Dec	**117,700,488.40**	59,363,179.93
Net increase (+) / decrease (−) in cash and cash equivalents	**55,528,594.47**	13,790,846.96

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

BASIS OF PREPARATION

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

PENSION ARRENGEMENTS

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

SHARE-BASED INCENTIVE SCHEME FOR THE PERSONNEL

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

EXTRAORDINARY INCOME AND EXPENSES

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

INCOME TAXES

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

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

LEASE

All leasing payments are treated as rental expenses.

FINANCIAL ASSETS, FINANCIAL LIABILITIES AND DERIVATIVE CONTRACTS

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

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

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

Kemira 2013 Consolidated Financial Statements • Notes to Kemira Oyj Financial Statements (EUR million)

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2. REVENUE

	2013	2012
Revenue by business segment		
Paper	**547,930,248.07**	539,485,880.77
Municipal & Industrial	**280,962,837.77**	279,496,231.01
Oil & Mining	**103,017,122.15**	116,137,988.61
ChemSolutions	**172,294,587.98**	180,677,521.29
Intercompany revenue	**242,908,678.23**	210,616,316.13
Other revenue	**34,979,568.57**	29,598,027.43
Total	**1,382,093,042.77**	1,356,011,965.24
Distribution of revenue by geographical segments as a percentage of total revenue		
Finland	**28**	27
Other EU countries	**53**	53
Other European countries	**11**	10
North and South America	**2**	3
Asia	**4**	4
Other countries	**2**	3
Total	**100**	100

3. OTHER OPERATING INCOME

	2013	2012
Gain on the sale of property, plant and equipment	**3,245,955.74**	3,789.64
Rent income	**1,586,042.33**	1,490,200.77
Intercompany service charges	**7,113,950.16**	6,166,563.57
Other income from operations	**14,131,157.27**	6,203,166.96
Total	**26,077,105.50**	13,863,720.94

4. COSTS

	2013	2012
Change in inventories of finished goods	**−5,360,719.99**	−14,276,924.76
Materials and services		
Materials and supplies		
Purchases during the financial year	**929,728,984.13**	930,463,416.50
Change in inventories of materials and supplies	**−1,213,163.11**	−5,458,408.00
External services	**9,363,739.50**	6,858,953.41
Total materials and services	**937,879,560.52**	931,863,961.91
Personnel expenses	**47,129,227.77**	49,839,739.00
Other operating expenses		
Rents	**11,467,557.76**	12,378,276.17
Intercompany tolling manufacturing charges	**187,320,563.39**	211,559,739.65
Intercompany service charges and royalties	**119,731,979.36**	125,960,698.47
Other expenses	**86,215,354.99**	60,894,599.73
Total other operating expenses	**404,735,455.50**	410,793,314.02
Total costs	**1,384,383,523.80**	1,378,220,090.17

Kemira 2013 Consolidated Financial Statements • Notes to Kemira Oyj Financial Statements (EUR million)

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DELOITTE & TOUCHE OY'S FEES AND SERVICES

	2013	2012
Audit fees	**418,055.00**	345,150.22
Tax services	**0.00**	0.00
Other services	**1,094,508.00**	24,900.00

Other services include fees related mainly to the 3F acquisition.

In 2013 the costs included a net increase in obligatory provisions of EUR 8.8 million (personnel expenses EUR +2.6 million, rents EUR –0.4 million and other expenses EUR +6.6 million), and in 2012, the costs included a net decrease in obligatory provisions of EUR –1.5 million (personnel expenses EUR +1.3 million, rents EUR –0.5 million and other expenses EUR –2.3 million).

5. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

	2013	2012
Emoluments of the Board of Directors, the CEO and his deputies [1)]	**1,590,150.01**	1,810,879.92
Other wages and salaries	**36,922,727.53**	38,563,130.26
Pension expenses	**6,452,577.08**	7,126,735.71
Other personnel expenses	**2,163,773.15**	2,338,993.11
Total	**47,129,227.77**	49,839,739.00

[1)] The emolument of Kemira Oyj's CEOs was EUR 964,566 (1,162,242) including bonuses of EUR 220,080 (136,634). The emolument of Kemira Oyj's deputies CEO was EUR 302,906 (273,265) including bonuses of EUR 83,511 (29,186).

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

	2013	2012
Personnel at 31 Dec		
Paper	**76**	93
Municipal & Industrial	**27**	32
Oil & Mining	**7**	9
ChemSolutions	**19**	9
Other, of which	**404**	460
R&D and Technology	**165**	217
Total	**533**	603
Personnel, average	**561**	629

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6. DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

	2013	2012
Depreciation according to plan and impairments		
Intangible assets		
Amortization of intangible rights	3,626,816.73	3,051,439.11
Impairment of intangible rights	9,012.11	0.00
Amortization of other intangible assets	25,643,458.14	21,518,542.18
Property, plant and equipment		
Depreciation of buildings and constructions	607,731.69	754,107.63
Impairment of buildings and constructions	186,724.30	18,896.20
Depreciation of machinery and equipment	4,012,473.88	4,509,623.73
Impairment of machinery and equipment	25,024.00	0.00
Depreciation of other property, plant and equipment	19,478.12	28,996.56
Total	34,130,718.97	29,881,605.41
Change in difference between scheduled and actual depreciation (+ increase/ – decrease)		
Intangible rights	–325,625.61	–93,177.77
Other intangible assets	1,616,655.07	–208,836.86
Buildings and constructions	–261,802.02	–145,954.94
Machinery and equipment	–549,516.50	–1,349,383.54
Other property, plant and equipment	–5,080.91	6,970.38
Total	474,630.03	–1,790,382.73

7. FINANCE INCOME AND EXPENSES

	2013	2012
Dividend income		
Dividend income from the Group companies	228,752,265.99	120,979,952.39
Dividend income from others	154,505.00	15,571,926.75
Total dividend income	228,906,770.99	136,551,879.14
Interest income		
Interest income from the Group companies	7,423,847.20	6,572,995.70
Interest income from others	3,202,488.25	4,888,081.91
Total interest income	10,626,335.45	11,461,077.61
Interest expenses		
Interest expenses to the Group companies	–3,380,959.23	–10,258,353.97
Interest expenses to others	–9,994,736.75	–17,868,764.54
Total interest expenses	–13,375,695.98	–28,127,118.51
Other finance income		
Other finance income from the Group companies	402,780.49	499,824.28
Total other finance income	402,780.49	499,824.28
Other finance expenses		
Other finance expenses from the Group companies	–80,190,383.53	–29,649,718.48
Other finance expenses from others	–1,937,072.14	–4,448,744.30
Total other finance expenses	–82,127,455.67	–34,098,462.78

Kemira 2013 Consolidated Financial Statements • Notes to Kemira Oyj Financial Statements (EUR million)

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Exchange gains		
Exchange gains from the Group companies	**–17,242,373.28**	–17,745,895.59
Exchange gains from others	**19,855,981.79**	18,357,589.99
Total exchange gains	**2,613,608.51**	611,694.40
Total finance income and expenses	**147,046,343.79**	86,898,894.14
Exchange gains and losses		
Realized	**8,679,990.78**	8,931,950.42
Unrealized	**–6,066,382.27**	–8,320,256.02
Total	**2,613,608.51**	611,694.40

In 2013 other finance expenses from the Group companies include impairment of subsidiary shares of EUR 80.2 million (EUR 29.6 million).

8. EXTRAORDINARY ITEMS

	2013	2012
Extraordinary income		
Group contributions received	**10,760,000.00**	12,071,000.00
Total	**10,760,000.00**	12,071,000.00
Total extraordinary income and expenses	**10,760,000.00**	12,071,000.00

9. INCOME TAXES

	2013	2012
(income +, expense –)		
Income taxes, current year	**–2,471,764.65**	0.00
Income taxes, previous years	**–1,700.00**	0.00
Deferred taxes	**–3,336,434.43**	6,149,090.04
Other taxes	**0.00**	–3,279.65
Total	**–5,809,899.08**	6,145,810.39

Kemira 2013 Consolidated Financial Statements • Notes to Kemira Oyj Financial Statements (EUR million)

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10. INTANGIBLE ASSETS

2013	Intangible rights	Goodwill	Prepayments	Other intangible assets	Total
Acquisition cost at 1 Jan	30,537,920.84	6,181,419.27	4,251,126.95	178,649,425.58	**219,619,892.64**
Additions	3,414,234.85		3,051,448.43	9,729,646.04	**16,195,329.32**
Decreases	–10,447.04				**–10,447.04**
Business transfers	429,227.56		–522,436.11	44,208.55	**–49,000.00**
Acquisition cost at 31 Dec	34,370,936.21	6,181,419.27	6,780,139.27	188,423,280.17	**235,755,774.92**
Accumulated amortization at 1 Jan	–12,668,787.53	–6,181,419.27	0.00	–86,672,426.82	**–105,522,633.62**
Accumulated amortization relating to decreases and transfers	10,447.04				**10,447.04**
Amortization and impairments during the financial year	–3,635,828.84			–25,643,458.14	**–29,279,286.98**
Accumulated amortization at 31 Dec	–16,294,169.33	–6,181,419.27	0.00	–112,315,884.96	**–134,791,473.56**
Net book value at 31 Dec	18,076,766.88	0.00	6,780,139.27	76,107,395.21	**100,964,301.36**

2012	Intangible rights	Goodwill	Prepayments	Other intangible assets	Total
Acquisition cost at 1 Jan	23,300,954.22	6,181,419.27	5,873,997.26	178,219,638.70	213,576,009.45
Additions	3,932,446.32		3,626,790.94	152,313.98	7,711,551.24
Decreases	–41,819.50			–1,687,774.49	–1,729,593.99
Business transfers	3,346,339.80		–5,249,661.25	1,965,247.39	61,925.94
Acquisition cost at 31 Dec	30,537,920.84	6,181,419.27	4,251,126.95	178,649,425.58	219,619,892.64
Accumulated amortization at 1 Jan	–9,659,167.92	–6,181,419.27	0.0	–66,841,659.13	–82,682,246.32
Accumulated amortization relating to decreases and transfers	41,819.50			1,687,774.49	1,729,593.99
Amortization and impairments during the financial year	–3,051,439.11			–21,518,542.18	–24,569,981.29
Accumulated amortization at 31 Dec	–12,668,787.53	–6,181,419.27	0.00	–86,672,426.82	–105,522,633.62
Net book value at 31 Dec	17,869,133.31	0.00	4,251,126.95	91,976,998.76	114,097,259.02

11. PROPERTY, PLANT AND EQUIPMENT

2013	Land and water areas	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Advances paid and non–current assets under construction	Total
Acquisition cost at 1 Jan	413,551.22	25,381,555.82	81,336,516.45	567,573.82	1,229,873.83	**108,929,071.14**
Additions		197,728.67	3,720,230.10		4,705,746.62	**8,623,705.39**
Decreases	–56,344.04		–82,401.80			**–138,745.84**
Business transfers			1,278,873.83		–1,229,873.83	**49,000.00**
Acquisition cost at 31 Dec	357,207.18	25,579,284.49	86,253,218.58	567,573.82	4,705,746.62	**117,463,030.69**
Accumulated depreciation at 1 Jan	0.00	–18,080,821.82	–66,402,307.39	–425,501.51	0.00	**–84,908,630.72**
Accumulated depreciation relating to decreases and transfers			36,501.58			**36,501.58**
Depreciation and impairments during the financial year		–794,455.99	–4,037,497.88	–19,478.12		**–4,851,431.99**
Accumulated depreciation at 31 Dec	0.00	–18,875,277.81	–70,403,303.69	–444,979.63	0.00	**–89,723,561.13**
Net book value at 31 Dec	357,207.18	6,704,006.68	15,849,914.89	122,594.19	4,705,746.62	**27,739,469.56**

Kemira 2013 Consolidated Financial Statements • Notes to Kemira Oyj Financial Statements (EUR million)

2012	Land and water areas	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Advances paid and non–current assets under construction	Total
Acquisition cost at 1 Jan	413,551.22	25,283,177.47	79,526,422.45	581,216.34	2,777,194.76	108,581,562.24
Additions		25,307.10	3,721,356.62		1,229,873.83	4,976,537.55
Decreases			–4,553,460.20	–13,642.52		–4,567,102.72
Business transfers		73,071.25	2,642,197.58		–2,777,194.76	–61,925.93
Acquisition cost at 31 Dec	413,551.22	25,381,555.82	81,336,516.45	567,573.82	1,229,873.83	108,929,071.14
Accumulated depreciation at 1 Jan	0.00	–17,309,048.37	–66,037,882.44	–410,147.47	0.00	–83,757,078.28
Accumulated depreciation relating to decreases and transfers		1,230.38	4,145,198.78	13,642.52		4,160,071.68
Depreciation and impairments during the financial year		–773,003.83	–4,509,623.73	–28,996.56		–5,311,624.12
Accumulated depreciation at 31 Dec	0.00	–18,080,821.82	–66,402,307.39	–425,501.51	0.00	–84,908,630.72
Net book value at 31 Dec	413,551.22	7,300,734.00	14,934,209.06	142,072.31	1,229,873.83	24,020,440.42

12. INVESTMENTS

2013	**Group company shares**	**Investments in associated companies**	**Other shares**	**Total**
Book value at 1 Jan	1,582,549,112.46	98,987,988.91	136,249,905.46	**1,817,787,006.83**
Additions	24,218,481.57		4,084,808.00	**28,303,289.57**
Decreases and transfers	–4,705,303.84	–98,987,988.91	–50,087.59	**–103,743,380.34**
Impairments	–80,190,383.53			**–80,190,383.53**
Net book value at 31 Dec	1,521,871,906.66	0.00	140,284,625.87	**1,662,156,532.53**

2012	Group company shares	Investments in associated companies	Other shares	Total
Book value at 1 Jan	1,604,351,760.73	125,819,988.91	135,848,548.91	1,866,020,298.55
Additions	7,847,070.15		401,356.55	8,248,426.70
Decreases and transfers		–26,832,000.00		–26,832,000.00
Impairments	–29,649,718.42			–29,649,718.42
Net book value at 31 Dec	1,582,549,112.46	98,987,988.91	136,249,905.46	1,817,787,006.83

Kemira Oyj received a capital return of EUR 26.8 million from the associated company Sachtleben GmbH during 2012. Kemira Oyj sold the shares of associated company Sachtleben with a contract signed on February 14th, 2013.

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

13. INVENTORIES

	2013	2012
Raw materials and supplies	**20,193,863.06**	21,407,026.17
Finished goods	**56,425,446.65**	61,786,166.64
Prepayments	**2,654,233.35**	5,035,713.27
Total	**79,273,543.06**	88,228,906.08

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14. RECEIVABLES

	2013	2012
Non-current receivables		
Interest-bearing non-current receivables		
Loan receivables		
Loan receivables from the Group companies	133,643,564.92	118,138,575.97
Loan receivables from others	350,000.00	1,005,555.59
Other non-current investments	2,294,308.65	1,911,941.00
Total interest-bearing non-current receivables	136,287,873.57	121,056,072.56
Interest-free non-current receivables		
Deferred taxes	20,909,024.83	22,655,733.10
Total interest-free non-current receivables	20,909,024.83	22,655,733.10
Total non-current receivables	157,196,898.40	143,711,805.66
Current receivables		
Interest-bearing current receivables		
Loan receivables from the Group companies	116,095,524.83	40,169,810.72
Total interest-bearing current receivables	116,095,524.83	40,169,810.72
Interest-free current receivables		
Advances paid		
Advances paid to the Group companies	18,240,121.02	20,160,491.02
Advances paid to others	30,093.56	30,093.56
Trade receivables		
Trade receivables from the Group companies	24,285,788.94	35,400,364.55
Trade receivables from others	129,544,226.59	142,555,747.37
Total trade receivables	153,830,015.53	177,956,111.92
Accrued income		
Accrued income from the Group companies	15,562,546.77	18,089,116.31
Accrued income from others	6,659,439.89	5,728,268.86
Total accrued income	22,221,986.66	23,817,385.17
Other short-term interest-free receivables		
Other receivables from the Group companies	0.00	67,556.78
Other receivables from others	11,629,618.23	14,539,773.33
Total other interest-free current receivables	11,629,618.23	14,607,330.11
Total interest-free current receivables	205,951,835.00	236,571,411.78
Total current receivables	322,047,359.83	276,741,222.50
Total receivables	479,244,258.23	420,453,028.16

	2013	2012
Accrued income		
From interests	982,316.92	3,096,939.95
From taxes	0.00	1,566,532.79
From exchange differences	5,236,071.93	3,701,668.15
From the Group contribution	10,760,000.00	12,071,000.00
Other	5,243,597.81	3,381,244.28
Total	22,221,986.66	23,817,385.17

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15. MONEY-MARKET INVESTMENTS – CASH EQUIVALENTS

	2013	2012
Money-market investments		
Carrying amount at 31 Dec	**2,785,859.04**	19,761,023.23
Fair value	**2,785,859.04**	19,761,023.23
Difference	**0.00**	0.00

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

16. EQUITY

	2013	2012
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	**–2,282,814.00**	0.00
Fair value reserve at 31 Dec	**–5,079,068.12**	–2,282,814.00
Total restricted equity at 31 Dec	**474,560,391.51**	477,356,645.63
Unrestricted capital		
Reserve for unrestricted capital invested at 1 Jan	**199,963,876.20**	199,963,876.20
Reserve for unrestricted capital invested at 31 Dec	**199,963,876.20**	199,963,876.20
Retained earnings at 1 Jan [1)]	**421,370,378.27**	433,164,423.47
Net profit for the year	**141,177,720.18**	68,680,077.86
Dividends paid	**–80,577,701.47**	–80,575,845.00
Share-based incentive plan:		
Shares given	**94,400.16**	101,721.94
Shares returned	**–49,727.97**	0.00
Retained earnings and net profit for the year at 31 Dec	**482,015,069.17**	421,370,378.27
Total unrestricted equity at 31 Dec	**681,978,945.37**	621,334,254.47
Total equity at 31 Dec	**1,156,539,336.88**	1,098,690,900.10
Total distributable funds at 31 Dec	**681,978,945.37**	621,334,254.47

[1)] The company owns 3,301,006 treasury shares, the acquisition value of which totals EUR 22,220,274.46.

Change in treasury shares	EUR	Number of shares
Acquisition value/number at 1 Jan	**22,225,409.45**	**3,301,769**
Change	**–5,134.99**	**–763**
Acquisition value/number at 31 Dec	**22,220,274.46**	**3,301,006**

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17. APPROPRIATIONS

	2013	2012
Appropriations		
Appropriations in the balance sheets are as follows:		
Buildings and constructions	**2,393,142.97**	2,654,944.99
Machinery and equipment	**4,825,018.76**	5,374,535.26
Other property, plant and equipment	**35,983.83**	41,064.74
Intangible rights	**104,825.49**	430,451.10
Other non-current expenditures	**3,960,888.08**	2,344,233.01
Total	**11,319,859.13**	10,845,229.10
Change in appropriations		
Appropriations at 1 Jan	**10,845,229.10**	12,635,611.83
Change in untaxed reserves in income statement	**474,630.03**	–1,790,382.73
Appropriations at 31 Dec	**11,319,859.13**	10,845,229.10

On December 31, 2013 deferred tax liabilities on accumulated appropriations were EUR 2.3 million (EUR 2.7 million).

18. OBLIGATORY PROVISIONS

	2013	2012
Non-current provisions		
Pension provisions	**6,106,698.22**	6,006,374.84
Other obligatory provisions		
Environmental and damage provisions	**13,122,537.05**	6,519,251.80
Personnel related provisions	**0.00**	100,000.00
Restructuring provisions	**1,564,265.20**	2,019,017.20
Total other obligatory provisions	**14,686,802.25**	8,638,269.00
Total non-current provisions	**20,793,500.47**	14,644,643.84
Current provisions		
Other obligatory provisions		
Personnel related provisions	**4,757,993.80**	2,147,443.69
Restructuring provisions	**454,752.00**	454,752.00
Total current provisions	**5,212,745.80**	2,602,195.69
Total provisions	**26,006,246.27**	17,246,839.53
Change in provisions		
Obligatory provisions at 1 Jan	**17,246,839.53**	40,224,624.07
Decrease of provisions during the year	**–5,491,908.33**	–4,359,736.40
Provisions reversed during the year	**–260,346.93**	0.00
Reclassification	**0.00**	–21,423,368.00
Increase during financial year	**14,511,662.00**	2,805,319.86
Obligatory provisions at 31 Dec	**26,006,246.27**	17,246,839.53

In 2012, other non-current provisions decreased by EUR 21.4 million in relation to the establishment of an associate and its items reclassification.

Kemira 2013 Consolidated Financial Statements • Notes to Kemira Oyj Financial Statements (EUR million)

19. NON-CURRENT INTEREST-BEARING LIABILITIES

	2013	2012
Loans from financial institutions	193,707,306.23	228,952,972.60
Loans from the Group companies	75,000,000.00	75,000,000.00
Other non-current liabilities	21,423,368.00	21,423,368.00
Total	290,130,674.23	325,376,340.60
Long-term interest-bearing liabilities maturing in		
2015 (2014)	82,835,584.95	32,485,584.95
2016 (2015)	32,835,584.95	82,835,584.95
2017 (2016)	32,835,584.95	32,835,584.95
2018 (2017) or later	141,623,919.38	177,219,585.75
Total	290,130,674.23	325,376,340.60
Interest-bearing liabilities maturing in 5 years or more		
Loans from financial institutions	45,200,551.38	80,796,217.75
Loans from the Group companies	75,000,000.00	75,000,000.00
Other non-current liabilities	21,423,368.00	21,423,368.00
Total	141,623,919.38	177,219,585.75

The company does not have debentures or other bond loans.

20. CURRENT LIABILITIES

	2013	2012
Interest-bearing current liabilities		
Loans from financial institutions	33,154,048.77	29,107,927.84
Current portion of other non-current loans to others	0.00	16,507,941.55
Other interest-bearing current liabilities		
to the Group companies	497,616,799.80	603,313,477.26
to others	181,674,503.01	194,927,408.95
Total interest-bearing current liabilities	712,445,351.58	843,856,755.60
Interest-free current liabilities		
Prepayments received		
Prepayments received from the Group companies	136,764.13	177,016.76
Prepayments received from others	835,620.60	403,904.51
Trade payables		
to the Group companies	49,583,889.32	43,816,908.35
to others	80,104,063.83	80,548,720.99
Total trade payables	129,687,953.15	124,365,629.34
Accrued expenses		
to the Group companies	84,290,304.94	34,455,323.98
to others	48,817,748.37	60,725,700.09
Total accrued expenses	133,108,053.31	95,181,024.07
Total other interest-free liabilities	6,868,733.86	7,806,180.83
Total interest-free current liabilities	270,637,125.05	227,933,755.51
Total current liabilities	983,082,476.63	1,071,790,511.11
Accrued expenses		
From salaries	6,286,971.04	8,154,854.76
From interests and exchange differences	93,206,751.28	45,674,843.38
Other	33,614,330.99	41,351,325.93
Total	133,108,053.31	95,181,024.07

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22

Kemira 2013 Consolidated Financial Statements • Notes to Kemira Oyj Financial Statements (EUR million)

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21. COLLATERAL AND CONTINGENT LIABILITIES

	2013	2012
Guarantees		
On behalf of the Group companies		
for loans	**311,044,261.00**	392,244,919.00
for other obligations	**70,109,579.00**	43,314,768.00
On behalf of others	**2,847,229.00**	2,744,055.00
Total	**384,001,069.00**	438,303,742.00
Leasing liabilitiest		
Maturity within one year	**5,228,278.00**	5,224,844.00
Maturity after one year	**21,000,189.00**	23,944,493.00
Total	**26,228,467.00**	29,169,337.00

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

Kemira 2013 Consolidated Financial Statements • Notes to Kemira Oyj Financial Statements (EUR million)

22. SHARES AND HOLDINGS OF KEMIRA OYJ

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Shares in subsidiaries	Group holding %	Kemira Oy holding %
AS Kemivesi	100.00	100.00
Kemira Argentina S.A.	100.00	15.80
Kemira Asia Pacific Pte. Ltd.	100.00	100.00
Kemira Cell Sp. z.o.o.	55.00	55.00
Kemira Chemicals (Nanjing) Co.,Ltd.	100.00	100.00
Kemira Chemicals (Shanghai) Co.,Ltd.	100.00	100.00
Kemira Chemicals (UK) Ltd.	100.00	100.00
Kemira Chemicals (Yanzhou) Co.,Ltd.	100.00	100.00
Kemira Chemicals Brasil Ltda	100.00	100.00
Kemira Chemicals Canada Inc.	100.00	100.00
Kemira Chemicals Germany GmbH	100.00	100.00
Kemira Chemicals India Private Ltd.	99.99	99.99
Kemira Chemie Ges.mbH	100.00	100.00
Kemira Chile Comercial Limitada	100.00	99.00
Kemira de Mexico S.A. de C.V.	100.00	100.00
Kemira Europe Oy	100.00	100.00
Kemira Germany GmbH	100.00	100.00
Kemira GrowHow A/S	100.00	100.00
Kemira Hong Kong Company Limited	100.00	100.00
Kemira Korea Corporation	100.00	100.00
Kemira KTM d.o.o.	100.00	100.00
Kemira Nederland Holding B.V.	100.00	100.00
Kemira Operon Oy	100.00	100.00
Kemira Świecie Sp. z o.o.	100.00	100.00
Kemira Water Danmark A/S	100.00	100.00
Kemira Water Solutions Brasil	100.00	100.00
PT Kemira Indonesia	100.00	75.00
Ruoholahden Kuusenkerkkä Oy	100.00	100.00
Suomen Muurahaishappo Oy	100.00	100.00

Shares and shareholders

SHARES AND SHARE CAPITAL

On December 31, 2013, 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 2013, Kemira Oyj had 30,640 registered shareholders (30,601). Foreign shareholding of Kemira Oyj shares increased 26% during the year and was 21.6% of the shares (17.1%), including nominee-registered holdings. Households owned 14.9% of the shares (15.4%). At year-end, Kemira held 3,301,006 treasury shares (3,301,769), representing 2.1% (2.1%) of all company shares. A list of Kemira's largest shareholders is updated monthly and can be found on the company website at www.kemira.com/investors.

LISTING AND TRADING

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

Kemira Oyj's share closed at EUR 12.16 at the NASDAQ OMX Helsinki at the end of 2013 (2012: 11.81). The share price increased 3% during the year while OMX Helsinki Cap index increased 26%. STOXX Chemicals (Europe), chemical sector benchmark index for Kemira increased 15% in 2013 (2012: 30%). Shares registered a high of EUR 13.02 (12.00) and a low of EUR 10.55 (8.00). The average share price of Kemira increased 16% and was EUR 11.76 (10.10). The volatility of Kemira's share price in 2013 was 24% (3 year volatility: 34%, 5 year: 37%). Source: Factset.

Kemira's market capitalization, excluding treasury shares, was EUR 1,849 million at the end of the year 2013 (2012: 1,796).

In 2013, Kemira Oyj's share trading volume on NASDAQ OMX Helsinki decreased 27% to 65 million (2012: 89) shares. Share turnover value decreased 15% and was EUR 757.2 million (886.7). The average daily trading volume was 259,748 (352,397) shares. On NASDAQ OMX Helsinki stock exchange, the total trading volume decreased 4% in 2013 to EUR 95.3 billion (98.7).

In addition to NASDAQ OMX Helsinki, Kemira shares are traded on several alternative market places or multilateral trading facilities (MTF), for example at BATS Chi-X and Turquoise. In 2013, a total of 28 million (29) Kemira Oyj shares were traded at alternative market places, i.e. approximately 30% (26%) of the total amount of traded shares executed on-book. (Source: Fidessa)

The total amount of traded Kemira shares, including trade on NASDAQ OMX Helsinki and multilateral trading facilities decreased 21% in 2013 compared to 2012.

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

DIVIDEND POLICY AND DIVIDEND DISTRIBUTION

Kemira aims to distribute a dividend that accounts for 40–60% of its operative net income. Operative net income means net profit for the period excluding non-recurring items, adjusted for tax effects.

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 2013, accounting for a dividend payout of about 76% (69%) of the operative net income. The Annual General Meeting will be held March 24, 2014. The dividend ex date is March 25, 2014, dividend record date March 27, 2014, and payout April 3, 2014.

In 2013, a dividend of EUR 0.53 per share was paid for the financial year that ended December 31, 2012. The dividend record date was April 2, 2013, and the payment (EUR 81 million in total) date April 9, 2013.

BOARD AUTHORIZATIONS

The Annual General Meeting on March 26, 2013 authorized the Board of Directors to decide upon repurchase of a maximum of 4,500,000 company's own shares ("Share repurchase 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 OMX Helsinki Ltd (the "Helsinki Stock Exchange") at the market price quoted at the time of the repurchase. The price paid for the shares repurchased through a tender offer under the authorization shall be based on the market price of the company's shares in public trading. The minimum price to be paid would be the lowest market price of the share quoted in public trading during the authorization period and the maximum price the highest market price quoted during the authorization period.

Shares shall be acquired and paid for in accordance with the Rules of the Helsinki Stock Exchange and Euroclear Finland Ltd. Shares may be repurchased to be used in implementing or financing mergers and acquisitions, developing the company's capital structure, improving the liquidity of the company's shares or to be used for the payment of the annual fee payable to the members of the Board of Directors or implementing the company's share-based incentive plans. In order to realize the aforementioned purposes, the shares acquired may be retained, transferred further or cancelled by the company. The Board of Directors will decide upon other terms related to share repurchases. The share repurchase authorization is valid until the end of the next Annual General Meeting. The Board had not exercised its authorization by December 31, 2013.

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 disapplying the shareholders' pre-emption right, through a directed share issue, if the company has a weighty financial reason to do so, such as financing or implementing mergers and acquisitions, developing the capital structure of the company, improving the liquidity of the company's shares or if this is justified for the payment of the annual fee payable to the members of the Board of Directors or implementing the company's share-based incentive plans. The directed share issue may be carried out without consideration only in connection with the implementation of the company's share-based incentive plan. The subscription price of new shares shall be recorded to the invested unrestricted equity reserves. The consideration payable for company's own shares shall be recorded to the invested unrestricted equity reserves. The Board of Directors will decide upon other terms related to the share issues. The share issue authorization is valid until May 31, 2014. The share issue authorization has been used in connection with the Board of Directors remuneration.

MANAGEMENT SHAREHOLDING

The members of the Board of Directors as well as the President and CEO and his Deputy held 311,478 (December 31, 2012: 302,834) Kemira Oyj shares on December 31, 2013, or 0.20% (0.19%) of all outstanding shares and voting rights (including treasury shares and shares held by the related parties and controlled corporations). Wolfgang Büchele, President and CEO, held 99,657 shares on December 31, 2013 (76,657). Board members are not covered by the share-based incentive plan. Members of the Management Boards, excluding the President and CEO and his Deputy, held a total of 274,911 shares on December 31, 2013 (147,688), representing 0.18% (0.10%) of all outstanding shares and voting rights (including treasury shares and shares held by the related parties and controlled corporations). Up-to-date information regarding the shareholdings of the Board of Directors and Management is available at Kemira's website at www.kemira.com/investors.

LARGEST SHAREHOLDERS DECEMBER 31, 2013

	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	9,464,836	6.1
4	Ilmarinen Mutual Pension Insurance Company	3,840,451	2.5
5	Nordea Funds	3,589,351	2.3
6	Tapiola Mutual Pension Insurance Company	2,600,000	1.7
7	Mandatum Life	1,626,167	1.1
8	Danske Invest funds	1,495,176	1.0
9	The State Pension Fund	1,040,000	0.7
10	Pohjola Fund Management	819,817	0.5
11	Sigrid Jusélius Foundation	730,000	0.5
12	Kaleva Mutual Insurance Company	603,337	0.4
13	The Local Goverment Pensions Institution	426,482	0.3
14	Aktia Funds	400,000	0.3
15	Valio Pension Fund	359,469	0.2
	Kemira Oyj	3,301,006	2.1
	Nominee-registered and foreign shareholders	33,595,809	21.6
	Others, total	37,276,352	23.8
	Total	**155,342,557**	**100.0**

SHAREHOLDING BY NUMBER OF SHARES HELD DEC 31, 2013

Number of shares	Number of shareholders	% of shareholders	Shares total	% of shares and votes
1–100	6,341	20.7	392,463	0.3
101–500	13,399	43.7	3,631,113	2.3
501–1,000	5,023	16.4	3,771,632	2.4
1,001–5,000	4,909	16.0	9,935,330	6.4
5,001–10,000	487	1.6	3,486,020	2.3
10,001–50,000	345	1.1	6,708,214	4.3
50,001–100,000	59	0.2	4,202,877	2.7
100,001–500,000	60	0.2	11,343,842	7.3
500,001–1,000,000	5	0.0	3,125,106	2.0
1,000,001–	12	0.1	108,745,960	70.0
Total	**30,640**	**100.0**	**155,342,557**	**100.0**

Board proposal for profit distribution

On December 31, 2013, Kemira Oyj's distributable funds totaled EUR 681,978,945 of which net profit for the period accounted for EUR 141,177,720.

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

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

- Distributing a per-share dividend of EUR 0.53 for the financial year, or a total of EUR 80,582,022.
- Retaining EUR 601,396,923 under unrestricted equity.

Helsinki, February 7, 2014

Jukka Viinanen

Jari Paasikivi

Winnie Fok

Juha Laaksonen

Kerttu Tuomas

Wolfgang Büchele
CEO

Auditor's report

TO THE ANNUAL GENERAL MEETING OF KEMIRA OYJ

We have audited the accounting records, the financial statements, the Operating and Financial Review, and the administration of Kemira Oyj for the financial period 1.1.–31.12.2013. The financial statements comprise of the consolidated income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's income statement, balance sheet, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CEO

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE OPERATING AND FINANCIAL REVIEW

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

OTHER OPINIONS

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

Helsinki, 7 February 2014

Deloitte & Touche Oy
Authorized Public Audit Firm

Jukka Vattulainen
Authorized Public Accountant

Quarterly Earnings Performance

(The figures are unaudited)

	1–3	4–6	7–9	10–12	2013 Total	1–3	4–6	7–9	10–12	2012 Total
Revenue										
Paper	259.1	265.0	271.0	272.5	1,067.6	247.9	249.1	256.9	251.7	1,005.6
Municipal & Industrial	164.8	178.0	164.2	152.4	659.4	161.0	173.7	176.5	175.4	686.6
Oil & Mining	76.3	79.9	76.8	78.5	311.5	85.1	84.5	79.4	72.1	321.1
ChemSolutions	60.7	46.4	41.7	41.8	190.6	58.9	55.0	54.4	59.3	227.6
Total	560.9	569.3	553.7	545.2	2,229.1	552.9	562.3	567.2	558.5	2,240.9
Operating profit										
Paper	17.8	−0.3	18.5	9.7	45.7	18.2	15.7	0.8	10.0	44.7
Municipal & Industrial	7.8	11.5	4.6	−47.3	−23.4	4.2	9.5	−1.7	−28.5	−16.5
Oil & Mining	4.3	1.8	4.3	−3.9	6.5	8.2	7.2	1.1	−2.3	14.2
ChemSolutions	9.3	0.3	1.6	2.6	13.8	5.8	0.8	0.5	−16.3	−9.3
Total	39.2	13.3	29.0	−38.9	42.6	36.4	33.2	0.7	−37.1	33.1
Finance costs, net	−24.7	−4.2	−2.4	−7.7	−39.0	−10.3	1.4	−2.7	−4.1	−15.7
Share of profit or loss of associates	−1.2	0.1	0.1	−0.1	−1.1	10.8	5.8	0.3	−5.7	11.2
Profit before tax	13.3	9.2	26.7	−46.7	2.5	36.9	40.4	−1.7	−46.9	28.6
Income tax expense	−10.5	−5.5	−10.4	−2.0	−28.4	−6.7	−8.9	3.1	6.8	−5.7
Net profit for the period	2.8	3.7	16.3	−48.7	−25.9	30.2	31.5	1.4	−40.1	22.9
Net profit attributable to:										
Equity owners of the parent	1.8	2.2	14.5	−50.1	−31.6	28.9	29.8	−0.2	−41.7	16.8
Non-controlling interests	1.0	1.5	1.8	1.4	5.7	1.0	1.3	1.3	1.1	4.7
Net profit for the period	2.8	3.7	16.3	−48.7	−25.9	29.9	31.1	1.1	−40.6	21.5
Earning per share, basic, EUR	0.01	0.02	0.09	−0.33	−0.21	0.19	0.20	0.00	−0.28	0.12
Earning per share, diluted, EUR	0.01	0.02	0.09	−0.33	−0.21	0.19	0.20	−0.01	−0.27	0.12
Capital employed, rolling					1,366.5					1,673.0
Return on capital employed (ROCE), %					3.0%					2.6%

Comparative figures for 2012 have been restated according to the new organizational structure and revised IAS 19 `Employee Benefits´, additional information is disclosed in the Group's accounting policies.

Information for investors

FINANCIAL REPORTS IN 2014

Kemira will publish three interim reports in 2014.

April 23, 2014: Interim report for January–March
July 22, 2014: Interim report for January–June
October 22, 2014: Interim report for January–September

The interim reports and related presentation material are available at www.kemira.com/investors. Kemira's press releases, Annual reports (including corporate responsibility reports) and other investor information are also available on the website, where visitors can register to receive press releases. The company's Annual reports can be ordered on the website or from Kemira Oyj, Group Communications, tel. +358 10 8611. Kemira's Annual report (incl. Financial Statements) is available as an online report, and the Financial Statements also in printed format.

INVESTOR COMMUNICATIONS

The key task of Kemira's investor communications is to provide capital markets with open and reliable information about the company and its operating environment to present a factual overview of Kemira as an investment to market participants.

Through investor communications, we aim to ensure that everyone operating in the markets has equal access to sufficient and correct information concerning the company, and that the information is disclosed consistently and without delay.

Kemira Oyj is domiciled in Helsinki, Finland, and the company's shares are listed on NASDAQ OMX Helsinki. Kemira Oyj complies with Finnish laws and the regulations of NASDAQ OMX Helsinki and Finland's Financial Supervisory Authority.

SILENT PERIOD

Kemira observes a silent period before issuing Financial Statements or interim reports. During the period, Kemira's representatives do not comment on the company's Financial Statements or interim reports for the ongoing reporting period. The schedule for the silent period and publication of financial information and closed periods is displayed on Kemira's website under Investors > Investor Calendar.

ANNUAL GENERAL MEETING

Kemira's Annual General Meeting will be held on Monday, March 24, 2014 at 1.00 p.m. in Finlandia Hall (Mannerheimintie 13 e, Helsinki, Finland). All shareholders registered in the company's shareholders' register maintained by Euroclear Finland Ltd on the record date of the Annual General Meeting, March 12, 2014, are entitled to attend and participate in the Annual General Meeting.

Registration for the Annual General Meeting begins on February 27, 2014, and the registration instructions will be published on the same day as a stock exchange release and at Kemira's website www.kemira.com > Investors > Corporate Governance > Annual General Meeting > Annual General Meeting 2014.

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

DIVIDEND DISTRIBUTION

For dividend proposal, please see page 95.

CHANGE OF ADDRESS

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

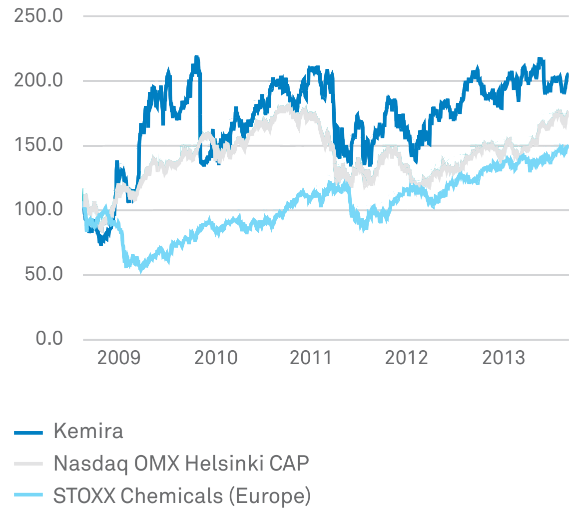
INVESTOR RELATIONS

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

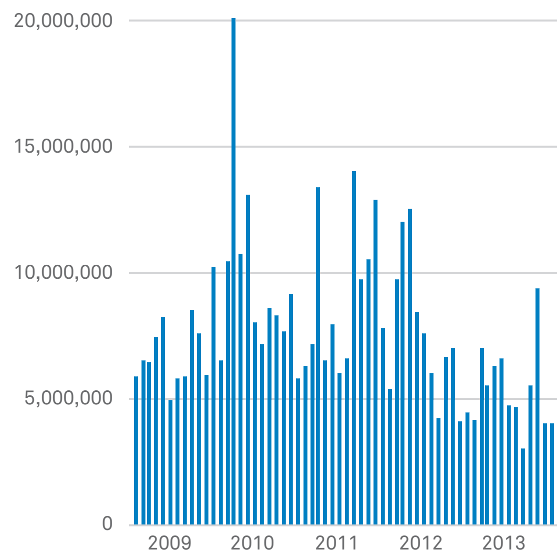
BASIC SHARE INFORMATION

Listed on: NASDAQ OMX Helsinki Ltd
Trading code: KRA1V
ISIN code: FI0009004824
Industry group: Materials
Industry: Chemicals
Number of shares on December 31, 2013: 155,342,557
Listing date: November 10, 1994

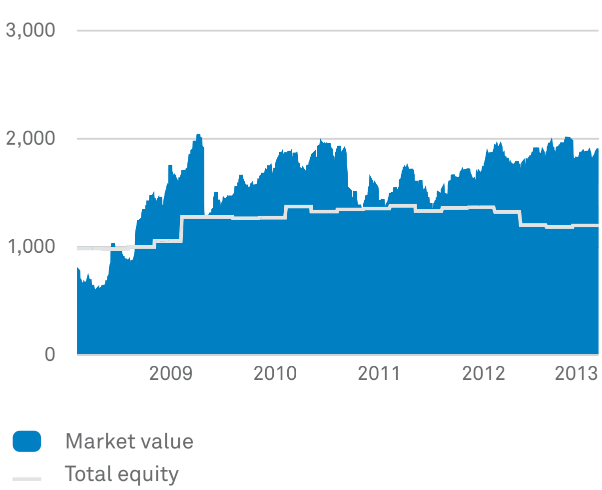
Share price 2009–2013



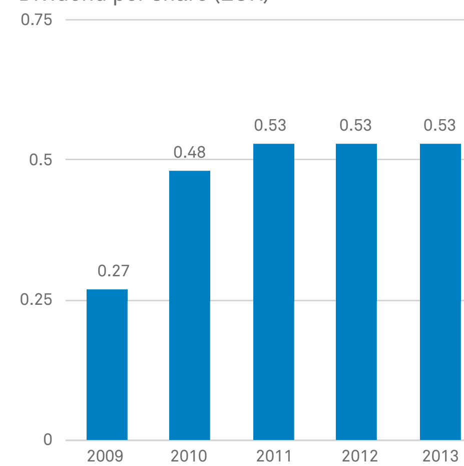
Monthly trading volume on NASDAQ OMX Helsinki 2009–2013 (shares)



Market value 2009–2013 (EUR million)

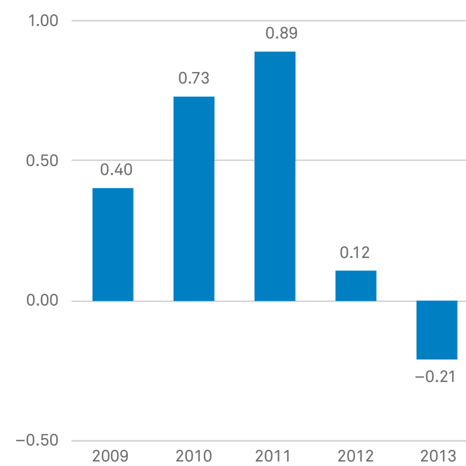


Dividend per share (EUR)*



*The dividend for 2013 is the Board of Director's proposal to the Annual General Meeting

Earnings per share (EUR)*



*Excluding Tikkurila 2009 and 2010

Ownership Dec. 31, 2013 (%)