# INTERIM REPORT

January – June 2014

Kemira

Where water
meets chemistry™

# REVENUE AND OPERATIVE EBIT STABLE FOR CONTINUED BUSINESS, REVISED OUTLOOK FOR 2014

## Second quarter

- Reported revenue decreased 9% to EUR 518.2 million (569.3), due to divestments and unfavorable currency exchange rates. Revenue in local currencies, excluding acquisitions and divestments, remained flat.
- Operative EBIT decreased 8% to EUR 37.0 million (40.0) with a margin of 7.1% (7.0%). Operative EBIT in local currencies, excluding acquisitions and divestments remained flat.
- On July 7, Kemira signed a preliminary agreement to acquire AkzoNobel's paper chemical business.

## January-June

- Reported revenue decreased 7% to EUR 1,048.1 million (1,130.2), due to divestments and unfavorable currency exchange rates. Organic revenue growth reached 1%.
- Operative EBIT decreased 11% to EUR 73.3 million (82.2) with a margin of 7.0% (7.3%).
- Operative EBITDA decreased 6% to EUR 117.7 million (125.0) with a margin of 11.2% (11.1%).
- Operative earnings per share were EUR 0.29 (0.31).
- Kemira maintains its revenue outlook for 2014, but revises its profitability outlook. Kemira starts to apply operative EBITDA as its profitability metric (previously: operative EBIT) for 2014 outlook. Kemira expects operative EBITDA in 2014 to be approximately at the same level as in 2013 (previously: operative EBIT was expected to be slightly higher in 2014 as in 2013). This change from EBIT to EBITDA guidance is consistent with Kemira's earlier communicated operative EBITDA margin target and also consistent with the chemical industry practice. Detailed definition for the outlook is on page 17.

## Kemira's President and CEO Jari Rosendal:

Recent divestments and unfavorable currency exchange rate fluctuations continued to impact Kemira's reported revenue. Revenue in local currencies, excluding acquisitions and divestments remained flat with modest sales volume growth. Paper and Oil & Mining sales volumes continued to grow at above-the-market rate. However, increased competition in Municipal & Industrial and our actions to improve segment's profitability continued to impact sales volumes negatively.

Operative EBIT decreased 8% with somewhat higher margin. The main reasons for the decline, in addition to the unfavorable currency exchange rates, were the divestment of formic acid business as well as the increased depreciation related to the ramp up of our new manufacturing facilities in Nanjing and Dormagen, and amortization related to our recent acquisitions. We expect benefits of these investments to start to become more visible in the second half of 2014.

Kemira's strategic choices presented in April 2013 remain intact. We focus on the development, application expertise, and supply of chemicals for pulp & paper, oil & gas, mining and water treatment. In order to gain a stronger position in the selected markets and to accelerate organic growth, we will invest into new, and expand our present manufacturing capacity with new and improved technologies. Going forward, we will also increase R&D investments for innovations to improve our customers processes.

We are also actively evaluating inorganic growth opportunities. In the beginning of July 2014, we announced a preliminary agreement to acquire AkzoNobel's paper chemical business. It is a great fit for Kemira as it fulfills our acquisition criteria by strengthening our market position and technological capabilities. In addition, we expect to achieve significant synergies with this acquisition. The transaction is expected to close during the first quarter of 2015.

Efficiency and continuous profitability improvement remain our top priorities and are the key enablers for successful strategy implementation.

## KEY FIGURES AND RATIOS

| EUR million | **Apr-Jun 2014** | Apr-Jun 2013 | **Jan-Jun 2014** | Jan-Jun 2013 | Jan-Dec 2013 |
|---|---|---|---|---|---|
| **Revenue** | **518.2** | 569.3 | **1,048.1** | 1,130.2 | 2,229.1 |
| Operative EBITDA | **60.2** | 61.5 | **117.7** | 125.0 | 251.9 |
| Operative EBITDA, % | **11.6** | 10.8 | **11.2** | 11.1 | 11.3 |
| EBITDA | **34.9** | 41.6 | **112.6** | 102.7 | 141.9 |
| EBITDA, % | **6.7** | 7.3 | **10.7** | 9.1 | 6.4 |
| **Operative EBIT** | **37.0** | 40.0 | **73.3** | 82.2 | 164.2 |
| Operative EBIT, % | **7.1** | 7.0 | **7.0** | 7.3 | 7.4 |
| EBIT | **10.0** | 13.3 | **64.3** | 52.5 | 42.6 |
| EBIT, % | **1.9** | 2.3 | **6.1** | 4.6 | 1.9 |
| Share of profit or loss of associates | **0.0** | 0.1 | **0.0** | -1.1 | -1.1 |
| Financing income and expenses | **-8.5** | -4.2 | **-13.8** | -28.9 | -39.0 |
| Profit before tax | **1.5** | 9.2 | **50.5** | 22.5 | 2.5 |
| Net profit | **1.8** | 3.7 | **44.9** | 6.5 | -25.9 |
| Earnings per share, EUR | **0.00** | 0.02 | **0.28** | 0.03 | -0.21 |
| **Operative earnings per share, EUR** | **0.14** | 0.14 | **0.29** | 0.31 | 0.70 |
| Capital employed* | **1,306.6** | 1,505.1 | **1,306.6** | 1,505.1 | 1,366.5 |
| Operative ROCE* | **11.9** | 10.4 | **11.9** | 10.4 | 11.9 |
| ROCE* | **4.2** | 0.6 | **4.2** | 0.6 | 3.0 |
| Capital expenditure | **34.0** | 30.9 | **59.6** | 59.9 | 197.5 |
| **Cash flow after investing activities** | **-39.5** | 10.5 | **90.8** | 200.4 | 195.7 |
| Equity ratio, % at period-end | **49** | 51 | **49** | 51 | 51 |
| Gearing, % at period-end | **41** | 36 | **41** | 36 | 41 |
| Personnel at period-end | **4,296** | 4,664 | **4,296** | 4,664 | 4,453 |

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

Definitions of key figures are available at www.kemira.com > Investors > Financial information. Comparative 2013 figures are provided in parentheses for some financial results, where appropriate. Operative EBITDA, operative EBIT, operative earnings per share and operative ROCE do not include non-recurring items.

## FINANCIAL PERFORMANCE IN Q2 2014

Kemira Group's **revenue** decreased 9% to EUR 518.2 million (569.3). Revenue in local currencies, excluding acquisitions and divestments remained at the level of the second quarter in 2013. Sales price

changes had a small negative impact on revenue. Acquisitions had an impact of 4% and divestments an impact of -10% on the revenues. Currency exchange had -3% impact.
In the Paper segment, revenues increased 1% to EUR 282.0 million (278.0). Revenue growth in local currencies, excluding acquisitions and divestments, was 4% driven by the higher sales volumes, especially in the Americas region. Sales prices remained at the level of the comparable period. Currency exchange impacted revenues by -3%. Acquisitions had an impact of 2% and divestments an impact of -1% on the revenue.

In the Oil & Mining segment, revenues increased 22% to EUR 97.6 million (79.9). Revenue in local currencies, excluding acquisitions and divestments, increased 17% due to the accelerated sales volume growth in the Americas region. Sales prices were slightly higher compared to the second quarter in 2013. Acquisitions impacted revenues by 13% and divestments by -1%. Currency exchange had -6% impact.

In the Municipal & Industrial segment, revenues decreased 22% to EUR 138.6 million (178.0). Revenue in local currencies, excluding acquisitions and divestments, decreased 14%, mainly due to lower sales volumes in Americas and EMEA regions. Sales prices were also lower than in the comparable period. Acquisitions impacted revenue by 4% and divestments by -10%. Currency exchange impacted revenues by -2%.

| Revenue, EUR million | Apr-Jun 2014 | Apr-Jun 2013 | ∆% |
|---|---|---|---|
| Paper | **282.0** | 278.0 | 1 |
| Oil & Mining | **97.6** | 79.9 | 22 |
| Municipal & Industrial | **138.6** | 178.0 | -22 |
| ChemSolutions | **-** | 33.4 | - |
| **Total** | **518.2** | 569.3 | -9 |

**EBIT** decreased to EUR 10.0 million (13.3), mainly due to the lower operative EBIT.

**Non-recurring items affecting the EBIT** were EUR -27 million (-27), including approximately EUR 20 million settlement compensation related to the old alleged infringement of the competition law. In addition, the restructuring charges and provisions related to streamlining of the Kemira's operations amounted to EUR 5 million, including the establishment of global business service center in Gdansk, Poland and the integration of 3F acquisition.

**The operative EBIT** in reported currency decreased to EUR 37.0 million (40.0) mainly due to EUR -3 million currency exchange impact.

Increased sales volumes, driven by Paper and Oil & Mining, had a positive impact of EUR 1 million on the operative EBIT. Sales price changes had EUR -5 million impact, mainly related to polymer product line in Municipal & Industrial and certain commodity product lines in Paper. Lower raw material costs were the main reason for the EUR 1 million lower variable costs, partly offset by EUR 1 million one-off cost related to the temporary acrylamide shipments from EMEA to the Americas. Acrylamide shipments support the current strong demand for polymer-based products in the Americas region. Fixed costs continued to decline driven by “Fit for Growth” restructuring program and other cost savings and had a positive impact of EUR 3 million on the operative EBIT.

Acquisitions had EUR 2 million impact and divestments an EUR -2 million impact on the operative EBIT. Depreciations were EUR 2 million higher, mainly related to the expansion investments in Nanjing and Dormagen. Acquisitions had also a negative impact on depreciations (see variance analysis on page 5). The operative EBIT margin was 7.1% (7.0%).

| Variance analysis, EUR million | Apr-Jun |
|---|---|
| **Operative EBIT, 2013** | **40.0** |
| Sales volumes | 1.4 |
| Sales prices | -4.9 |
| Variable costs | 1.4 |
| Fixed costs | 2.5 |
| Currency exchange | -2.9 |
| Others, incl. acquisitions and divestments | -0.5 |
| **Operative EBIT, 2014** | **37.0** |

| Operative EBIT | Apr-Jun 2014 EUR, million | Apr-Jun 2013 EUR, million | Δ% | Apr-Jun 2014 %-margin | Apr-Jun 2013 %-margin |
|---|---|---|---|---|---|
| Paper | **18.2** | 19.1 | -5 | **6.4** | 6.9 |
| Oil & Mining | **7.1** | 3.5 | 103 | **7.3** | 4.4 |
| Municipal & Industrial | **11.7** | 15.9 | -26 | **8.4** | 8.9 |
| ChemSolutions | **-** | 1.5 | - | **-** | 4.5 |
| **Total** | **37.0** | 40.0 | -8 | **7.1** | 7.0 |

**Financing income and expenses** totaled EUR -8.5 million (-4.2). Changes of EUR -0.7 million (-0.4) in fair values of electricity derivatives and the currency exchange differences of EUR -1.6 million (0.6), as well as increased interest costs had negative impacts on the financing income and expenses.

**Net profit attributable to the owners of the parent company** was EUR 0.2 million (2.2) and the earnings per share to EUR 0.00 (0.02). Operative earnings per share were EUR 0.14 (0.14).

## FINANCIAL PERFORMANCE IN JANUARY-JUNE 2014

Kemira Group’s **revenue** decreased 7% to EUR 1,048.1 million (1,130.2). Revenue in local currencies, excluding acquisitions and divestments increased 1% driven by higher sales volumes in Paper and Oil & Mining. Sales price changes had a minor negative impact on revenues. Acquisitions had an impact of 4% and divestments an impact of -9% on the revenues. Currency exchange had a -3% impact.

In the Paper segment, revenues increased 3% to EUR 562.4 million (545.9). Revenue growth in local currencies, excluding acquisitions and divestments, was 6% driven by higher sales volumes. Sales price changes had a negligible impact on revenues. Currency exchange impacted revenues by -3%. Acquisitions had an impact of 2% and divestments an impact of -1% on the revenue.

In the Oil & Mining segment, revenues increased 21% to EUR 189.6 million (156.2). Revenue growth in local currencies, excluding acquisitions and divestments, was 15% due to the increased sales volumes in the Americas. Acquisitions impacted revenues by 13% and divestments by -1%. Currency exchange had a -6% impact.

In the Municipal & Industrial segment, revenues decreased 19% to EUR 276.3 million (342.8). Revenue in local currencies, excluding acquisitions and divestments decreased by -10% driven mainly by the lower sales volumes in North America and in EMEA. Sales price changes had a minor negative impact on revenues. Currency exchange impacted revenues by -2%.

| Revenue, EUR million | Jan-Jun 2014 | Jan-Jun 2013 | Δ% |
|---|---|---|---|
| Paper | 562.4 | 545.9 | 3 |
| Oil&Mining | 189.6 | 156.2 | 21 |
| Municipal & Industrial | 276.3 | 342.8 | -19 |
| ChemSolutions | 19.8 | 85.3 | - |
| **Total** | **1,048.1** | 1,130.2 | -7 |

**The EBIT** increased 22% to EUR 64.3 million (52.5). **Non-recurring items affecting the EBIT** were EUR -9 million (-30), including a capital gain of EUR 37 million related to the divestment of formic acid business and capital gain of EUR 4 million related to the divestment of the distribution business in Denmark. In addition, non-recurring items included approximately EUR 20 million settlement compensation related to the old alleged infringement of competition law as well as provisions, restructuring charges, and write-downs related to streamlining of the Kemira's operations amounting to approximately EUR 25 million.

**The operative EBIT** decreased 11% to EUR 73.3 million (82.2), mainly due to the currency exchange impact of EUR -7 million, the very weak de-icing season, and the divestments of the formic acid and food and pharmaceuticals businesses in ChemSolutions. Operative EBIT in local currencies, excluding acquisitions and divestments remained at the level of the comparable period in 2013.

| Operative EBIT | Jan-Jun 2014 EUR, million | Jan-Jun 2013 EUR, million | Δ% | Jan-Jun 2014 %-margin | Jan-Jun 2013 %-margin |
|---|---|---|---|---|---|
| Paper | 40.1 | 38.4 | 4 | **7.1** | 7.0 |
| Oil & Mining | 13.4 | 8.6 | 56 | **7.1** | 5.5 |
| Municipal & Industrial | 20.5 | 24.5 | -16 | **7.4** | 7.1 |
| ChemSolutions | -0.7 | 10.7 | - | **-3.5** | 12.5 |
| **Total** | **73.3** | 82.2 | -11 | **7.0** | 7.3 |

**Financing income and expenses** totaled EUR -13.8 million (-28.9). Changes of EUR -1.1 million (2.0) in fair values of electricity derivatives and the currency exchange differences of EUR -1.4 million (2.0) had negative impacts on the financing income and expenses. Comparable period in 2013 was impacted by the write-down of EUR 23 million related to the divestment of Kemira's shares (39%) of the titanium dioxide Joint Venture Sachtleben GmbH.

**Net profit attributable to the owners of the parent company** increased to EUR 42.1 million (4.0) and the earnings per share to EUR 0.28 (0.03), mainly due to a capital gain related to the divestment of formic acid business. Earnings per share, excluding non-recurring items, decreased 6% to EUR 0.29 (0.31).

## FINANCIAL POSITION AND CASH FLOW

Cash flow from the operating activities in January-June 2014 was EUR 10.2 million. Cash flow after the investing activities decreased to EUR 90.8 million (200.4) including proceeds of EUR 126 million related to the divestment of formic acid business. Comparable period included proceeds of EUR 98 million received from the divestment of shares in JV Sachtleben and EUR 81 million from the divestment of the food and pharmaceuticals businesses. The net working capital ratio decreased to 10.4% of the revenue (10.9% on December 31, 2013). At the end of the period, Kemira Group's net debt was EUR 449 million (456 on December 31, 2013).

At the end of the period, interest-bearing liabilities totaled EUR 649 million (558 on December 31, 2013). Fixed-rate loans accounted for 81% of the net interest-bearing liabilities (60% on December 31, 2013). The average interest rate of the Group's interest-bearing liabilities was 2.0% (1.5% on December 31, 2013). The duration of the Group's interest-bearing loan portfolio was 21 months (14 months on December 31, 2013). Kemira issued a senior unsecured bond of EUR 200 million in May 27, 2014. The five-year bond will mature on May 27, 2019 and it carries a fixed annual interest of 2.500 percent.

Short-term liabilities maturing in the next 12 months amounted to EUR 233 million, the commercial papers of which, issued in the Finnish market, represented EUR 85 million, and the short-term portion of the long-term loans represented EUR 100 million. On June 30, 2014, cash and cash equivalents totaled EUR 200 million (102 on December 31, 2013).

At the end of the period, the equity ratio was 49% (51% on December 31, 2013), while the gearing was 41% (41% on December 31, 2013). Shareholder's equity decreased to EUR 1,085.1 million (1,125.5 on December 31, 2013), mainly due to the dividend distribution of EUR 81 million in April 2014.

## CAPITAL EXPENDITURE

In January-June 2014, capital expenditure decreased 1% to EUR 59.6 million (59.9). Capex can be broken down as follows: expansion capex 55% (61%), improvement capex 19% (21%), and maintenance capex 26% (18%). Expansion investments were mainly focused on the greenfield sites Nanjing and Tarragona as well as on the capacity expansion of the differentiated product lines in North America. In addition, expansion capex was impacted by the acquisition of BASF global AKD emulsion business.

In January-June 2014, the Group's depreciation and impairments decreased to EUR 48.3 million (50.2). The comparable period in 2013 included a write down of EUR 7 million related to a closed process chemical site in Vaasa, Finland.

## RESEARCH AND DEVELOPMENT

In January-June 2014, the Research and Development expenses totaled EUR 13.9 million (17.6), representing 1.3% (1.6%) of the Kemira Group's revenue.

## HUMAN RESOURCES

At the end of the period, Kemira Group had 4,138 permanent employees (4,350 on December 2013) and 158 temporary employees (103). Kemira employed 829 people in Finland (961), 1,643 people elsewhere in EMEA (1,634), 1,266 in North America (1,281), 213 in South America (237), and 345 in Asia Pacific (340).

## CORPORATE RESPONSIBILITY

Kemira joined the United Nations Global Compact initiative in April 2014. This commitment includes supporting the ten principles of the UN Global Compact for human rights, labor, environment and anti-corruption as well as reporting and communicating on annual basis with our stakeholders on the progress made to implement the principles in our operations and strategy. The key achievements of the corporate responsibility in Q2 2014 are described in the following Table.

| Responsibility focus areas | KPI's and KPI target values | Status Q2 2014 |
|---|---|---|
| **Responsible business practices** | | |
| Kemira Compliance program | To establish Kemira Compliance program by the end of 2014 | Kemira's compliance program is defined. As a part of the program Kemira Compliance Committee has been established. Process for handling issues of non-compliance and related roles and responsibilities have also been established. |
| **Responsible supply chain** | | |
| Code of Conduct for Suppliers, Distributors and Agents | Supplier contracts with signed CoC-SDA as attachment, 90% by the end of 2015 | 86% |
| Supplier sustainability assessment | Number of core, strategic and critical suppliers covered by supplier sustainability assessment, 45 by end of 2014 | Sustainability assessment program supported by an external assessment partner has been initiated. |

**Responsibility for employees**

| | | |
|---|---|---|
| Performance management | Kemira employees covered by the global Performance Management process, > 95% by the end of 2014 | 100% of the employees are now covered by the global Performance Management process (Performance and Development Discussions). Completion rate of 1H/2014 = 90%. |
| Leadership development | People managers participated in global leadership programs at least once in the period 2013–2015, cumulative %, > 95% by the end of 2015 | 50% (cumulative from the beginning of 2013, 11% during H1/2014).<br><br>"Driving Strategic growth through Innovation" program launched in May 2014. |
| Employee engagement | Employee Engagement Index, index at or above the external industry norm by the end of 2015<br>Participation rate in Voices@Kemira, 75–85% by the end of 2015 | The results of the smaller scale employee survey "Pulse" conducted in March are delivered, communicated and respective action plans have been established. |
| Occupational health and safety | Number of Total Recordable Injuries (TRI) (per million hours, Kemira + contractor, 1 year rolling average), Achieve zero injuries | 8.4 |

**Responsible manufacturing**

| | | |
|---|---|---|
| Water efficiency | To analyze baseline and define water efficiency program by the end of 2014 | Internal water risk assessment project ongoing. Baseline established and sites selected for more detailed analysis. |
| Climate change | Kemira Carbon Index performance, Index ≤ 80 by end of 2020 (baseline year 2012 = 100) | Energy Efficiency Enhancement (E3) program ongoing. Kemira Carbon index reported on annual basis. |

**Sustainable products and solutions**

| | | |
|---|---|---|
| Sustainability aspects in New Product Development (NPD) process | New NPD projects apply the sustainability check in Gate 1, 100% by the end of 2014<br>Existing NPD projects apply the sustainability check in Gates 2–4, 100% by the end of 2014 | 100% |

**Responsibility toward the communities where we operate**

| | | |
|---|---|---|
| Participation in the local community involvement activities | Kemira sites with over 50 employees participated in the local community involvement initiatives at least once in the period 2013–2015, cumulative %, 100% by the end of 2015 | 80% |

# 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 | **Apr-Jun 2014** | Apr-Jun 2013 | **Jan-Jun 2014** | Jan-Jun 2013 | Jan-Dec 2013 |
|---|---|---|---|---|---|
| **Revenue** | **282.0** | 278.0 | **562.4** | 545.9 | 1,112.8 |
| Operative EBITDA | **30.8** | 30.3 | **63.9** | 60.7 | 131.1 |
| Operative EBITDA, % | **10.9** | 10.9 | **11.4** | 11.1 | 11.8 |
| EBITDA | **7.5** | 17.3 | **38.2** | 46.4 | 98.4 |
| EBITDA, % | **2.7** | 6.2 | **6.8** | 8.5 | 8.8 |
| **Operative EBIT** | **18.2** | 19.1 | **40.1** | 38.4 | 85.9 |
| Operative EBIT, % | **6.4** | 6.9 | **7.1** | 7.0 | 7.7 |
| EBIT | **-5.1** | -0.7 | **14.3** | 16.7 | 45.1 |
| EBIT, % | **-1.8** | -0.3 | **2.5** | 3.1 | 4.1 |
| Capital employed* | **781.5** | 789.5 | **781.5** | 789.5 | 780.8 |
| ROCE* | **5.5** | 3.5 | **5.5** | 3.5 | 5.8 |
| Capital expenditure | **23.6** | 15.9 | **35.9** | 34.1 | 75.5 |
| **Cash flow after investing activities** | **-21.3** | 11.6 | **-23.5** | 46.5 | 58.2 |

*12-month rolling average

### Second quarter

The Paper segment's **revenue** increased 1% to EUR 282.0 million (278.0), impacted by a -3% currency exchange impact. Revenue in local currencies, excluding acquisitions and divestments, increased 4% driven by accelerated, over 10% sales volume growth in differentiated product lines. Growth accelerated especially in sizing, retention, and polymer chemicals used to improve the wet end process of paper, packaging board and tissue production. Sales volume growth of differentiated product lines was partly offset by the lower sales volumes of some miscellaneous commodity products. Changes in sales prices did not have material impact on revenues. Acquisitions of 3F, Soto Industries and BASF AKD emulsion business had 2% and divestment of Brazilian coagulant business -1% impacts on the revenue.

In **EMEA**, revenue remained at the level of the comparable period as the sales volume growth of differentiated product lines was offset by lower sales volumes and sales prices of certain commodity products. The volumes of the commodity product sales were partially impacted by a triennial maintenance break in Helsingborg site in Sweden. Helsingborg site produces various commodity products (including sulphuric acid, hydrogen peroxide, and coagulants). In **Americas**, revenue growth continued and was nearly 10% in local currencies. Increased sales volumes of wet-end process chemicals and favorable pricing were the main reasons behind the revenue growth. Recovery of sales volumes continued in **APAC** and was more than 10%, partly supported by the ramp up of the new manufacturing site in Nanjing, China.

**The operative EBIT** decreased 5% to EUR 18.2 million (19.1) as increased sales volumes could not fully offset the impacts of the higher fixed costs and depreciations, as well as unfavorable currency exchange. Fixed costs increased EUR 3 million, driven by the increased sales and marketing efforts. Higher depreciations were related to the ongoing ramp up of Kemira's new paper chemical manufacturing site in Nanjing. Sales prices and variable expenses remained largely unchanged. Acquisitions had a minor positive impact on the operative EBIT. The operative EBIT margin was 6.4% (6.9%).

On May 5, 2014, Kemira closed the acquisition of BASF's global AKD emulsion business. AKD is an alkyl ketene dimer based sizing agent, which impacts paper and board hydrophobicity or water resistance. The acquisition strengthens Kemira's position in offering sizing products for the paper industry especially on the continental European market.

On May 9, 2014, Kemira has been selected as a supplier of sodium chlorate to Klabin's new 1.5 million ton pulp mill in Paraná, Brazil. Kemira will build, own and operate a sodium chlorate plant, which is scheduled to begin production during the first half of 2016.

### January – June

The Paper segment's **revenue** increased 3% to EUR 562.4 million (545.9). The revenues in local currencies, excluding divestments and acquisitions grew 6% 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 -3% impact. Acquisitions had an impact of 2% and divestments an impact of -1% on the revenue.

**The operative EBIT** increased 4% to EUR 40.1 million (38.4), mainly due to the higher sales volumes and slightly lower variable costs. Higher sales and marketing expenses were partly offset by the "Fit for Growth" restructuring program and other cost savings. Operative EBIT margin improved to 7.1% (7.0%). Operative EBITDA margin improved to 11.4% (11.1%).

## 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 | **Apr-Jun 2014** | Apr-Jun 2013 | **Jan-Jun 2014** | Jan-Jun 2013 | Jan-Dec 2013 |
|---|---|---|---|---|---|
| Revenue | **97.6** | 79.9 | **189.6** | 156.2 | 311.5 |
| Operative EBITDA | **11.7** | 7.3 | **22.4** | 16.0 | 32.7 |
| Operative EBITDA, % | **12.0** | 9.1 | **11.8** | 10.2 | 10.5 |
| EBITDA | **11.2** | 5.4 | **20.1** | 13.4 | 24.6 |
| EBITDA, % | **11.5** | 6.8 | **10.6** | 8.6 | 7.9 |
| Operative EBIT | **7.1** | 3.5 | **13.4** | 8.6 | 17.4 |
| Operative EBIT, % | **7.3** | 4.4 | **7.1** | 5.5 | 5.6 |
| EBIT | **6.7** | 1.8 | **11.2** | 6.1 | 6.5 |
| EBIT, % | **6.9** | 2.3 | **5.9** | 3.9 | 2.1 |
| Capital employed* | **211.4** | 171.3 | **211.4** | 171.3 | 188.2 |
| ROCE* | **5.5** | 2.8 | **5.5** | 2.8 | 3.5 |
| Capital expenditure | **4.5** | 3.0 | **8.9** | 5.8 | 69.8 |
| Cash flow after investing activities | **-3.0** | -8.0 | **8.0** | -10.0 | -60.0 |

*12-month rolling average

### Second quarter

Oil & Mining segment's **revenue** increased 22% to EUR 97.6 million (79.9). Revenue growth in local currencies, excluding acquisitions and divestments, accelerated and was 17%, supported by the continued recovery of sales volumes in the Americas region. Acquisition of 3F had a 13% impact on revenues, whereas the currency exchange had a -6% impact. Divestment of coagulant business in Brazil had a minor negative impact on revenue.

In Americas, revenue increased 45% mainly due to the increased demand for Kemira's dry and emulsion polyacrylamide products. The acquisition of 3F also contributed to the revenue growth. Demand for polymers and other process chemicals continued to recover driven by the current fast-growing drilling and stimulation activity, especially in North America.

To meet the growing demand for polymers used in oil and gas drilling and stimulation in North America, Kemira continues to invest in expansion of its manufacturing capacity in the region. Together with several other smaller ongoing capacity expansion projects in the region, Kemira announced in May a EUR 10 million investment to expand its dry polyacrylamide capacity in Aberdeen, USA. New capacity is expected to be in operation during the second half of 2014. Dry polyacrylamides are used, e.g. in the hydraulic frackturing and enhanced oil recovery (EOR)-related applications.

In EMEA, revenue continued to decline and was more than -10%. Market softness, especially in relation to the process chemicals used in the mining industry, was the main reason for the decline.

**Operative EBIT** doubled to EUR 7.1 million (3.5) due to the sales volume growth and positive impact of 3F acquisition. Variable costs were negatively impacted by EUR 1 million due to the temporary acrylamide shipments from EMEA to North America in order to support the increasing demand for Kemira's polymer products in the region. Fixed costs were slightly higher than in the comparable period in 2013, mainly due to higher manufacturing expenses related to higher volumes. Unfavorable currency exchange had a EUR -1 million impact on the operative EBIT. The operative EBIT margin improved to 7.3% (4.4%).

### January-June

The Oil & Mining segment's **revenue** increased 21% to EUR 189.6 million (156.2). The revenue in local currencies, excluding acquisitions and divestments increased 15% driven by the higher sales volumes in Americas region. Sales price changes did not have material impact on revenues. Currency exchange had a -6% impact. Acquisitions had an impact of 13% and divestments an impact of -1% on the revenue.

**The operative EBIT** increased 56% to EUR 13.4 million (8.6) as a result of the increased sales volumes and positive impact of 3F acquisition. The operative EBIT margin improved to 7.1 % (5.5%). Operative EBITDA improved to 11.8% (10.2%).

## MUNICIPAL & INDUSTRIAL

*M&I is a leading water chemicals supplier for raw and wastewater 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** | **Apr-Jun 2014** | Apr-Jun 2013 | **Jan-Jun 2014** | Jan-Jun 2013 | Jan-Dec 2013 |
|---|---|---|---|---|---|
| **Revenue** | **138.6** | 178.0 | **276.3** | 342.8 | 659.4 |
| Operative EBITDA | **17.7** | 21.1 | **32.2** | 35.0 | 68.3 |
| Operative EBITDA, % | **12.8** | 11.9 | **11.6** | 10.2 | 10.4 |
| EBITDA | **16.1** | 16.8 | **18.7** | 29.8 | -0.5 |
| EBITDA, % | **11.6** | 9.4 | **6.8** | 8.7 | -0.1 |
| **Operative EBIT** | **11.7** | 15.9 | **20.5** | 24.5 | 45.8 |
| Operative EBIT, % | **8.4** | 8.9 | **7.4** | 7.1 | 6.9 |
| EBIT | **8.4** | 11.5 | **3.2** | 19.3 | -23.4 |
| EBIT, % | **6.1** | 6.5 | **1.2** | 5.6 | -3.6 |
| Capital employed* | **281.1** | 341.9 | **281.1** | 341.9 | 309.2 |
| ROCE* | **-14.1** | -3.2 | **-14.1** | -3.2 | -7.6 |
| Capital expenditure | **5.9** | 11.4 | **14.2** | 19.0 | 46.9 |
| **Cash flow after investing activities** | **5.4** | 5.4 | **8.5** | 5.4 | 37.9 |

**12-month rolling average*

## Second quarter

The Municipal & Industrial segment's **revenue** decreased 22% to EUR 138.6 million (178.0), including a -10% impact of divestments and a -2% impact of the currency exchange. Acquisitions had a 4% impact on revenues. Revenue in local currencies, excluding acquisitions and divestments, decreased 14%, mainly due to lower sales volumes of polymers and coagulants in North America and EMEA. Sales price changes had also a negative impact on revenues. The comparable quarter in 2013 included some one off project related sales in North America, impacting revenues by -4%. In addition, the second quarter in 2014 was seasonally weaker than the comparable quarter in 2013.

In **EMEA**, revenue in local currencies, excluding acquisitions and divestments decreased 6%, mainly due to the lower polymer sales volumes used in wastewater treatment. Decreased polymer related raw material prices draw sales prices lower. 3F acquisition had a positive impact on revenues and largely compensated the impacts of the divestments in Denmark and Romania.

In **NAFTA**, revenue in local currencies, excluding acquisitions and divestments, decreased 26% due to lower sales volumes and somewhat lower sales prices. The impact of some one-off project-related sales in the second quarter in 2013 was nearly 10%. Second quarter in 2014 was seasonally weaker than the comparable period and impacted the demand for iron and aluminium coagulants.

**The operative EBIT** decreased 26% to EUR 11.7 million (15.9), mainly due to lower sales volumes and sales prices in NAFTA and EMEA. Variable costs were EUR 3 million lower driven by the decreased coagulant-related raw material prices. Fixed costs were EUR 6 million or some 15% lower than in the second quarter of 2013 due to the "Fit for Growth" cost savings and other efficiency measures implemented in EMEA and NAFTA regions. Depreciation were EUR 1 million higher, mainly due to the ramp up of the new manufacturing facility in Dormagen, Germany, as well as the acquisition of 3F. Currency exchange had a EUR -1 million impact on the operative EBIT. The operative EBIT margin was 8.4% (8.9%).

## January-June

The Municipal & Industrial segment's **revenue** decreased 19% to EUR 276.3 million (342.8). The revenues in local currencies, excluding acquisitions and divestments, decreased by 10% due to the lower sales volumes, especially in NAFTA. Sales prices had a minor negative impact on revenue. Acquisitions had an impact of 4% and divestments an impact of -11% on the revenue. Currency exchange had a -2% impact.

**The operative EBIT** decreased 16% to EUR 20.5 million (24.5), mainly due to the lower sales volumes. Operative EBIT was positively impacted by the "Fit for Growth"-related savings and the ongoing implementation of other efficiency measures that draw fixed costs EUR 11 million lower than in the comparable period.  Variable costs were lower, mainly due to decreased raw material costs. Raw material costs were lower as certain raw material prices declined, mainly in EMEA, with the corresponding impact on the sales prices. The operative EBIT margin improved to 7.4% (7.1%). Operative EBITDA margin improved to 11.6% (10.2%).

## KEMIRA OYJ'S SHARES AND SHAREHOLDERS

On June 30, 2014, 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 June, Kemira Oyj had 31,385 registered shareholders (30,640 at the end of December 2013). Foreign shareholders held 22.0% of the shares (21.6% at the end of December 2013), including nominee registered holdings. Households owned 15.3% of the shares (14.9% at the end of December 2013). Kemira held 3,291,185 treasury shares (3,301,006 at the end of December 2013) representing 2.1% (2.1% at the end of December 2013) of all company shares.

Kemira Oyj's share closed at EUR 11.69 on the NASDAQ OMX Helsinki at the end of June 2014 (12.16 at the end of December 2013). Shares registered a high of EUR 12.27 and a low of EUR 10.19 in January-June 2014. The average share price was EUR 11.20. The company's market capitalization, excluding treasury shares, was EUR 1,778 million at the end of June 2014 (1,849 at the end of December 2013). In January-June 2014, Kemira Oyj's share trading volume on NASDAQ OMX Helsinki increased 19% to 40.9 million (34.3). The average daily trading volume was 335,543 (279,246) shares. Source: NASDAQ OMX.

In addition to NASDAQ OMX Helsinki, Kemira shares are traded on several alternative market places or multilateral trading facilities (MTF), for example at Chi-X, BATS and Turquoise. In January-June 2014, a total of 15.7 million (13.4) Kemira Oyj's shares were traded on the alternative market places or 30% (28%) of the total amount of traded shares. Source: Fidessa.

The total amount of traded Kemira shares, including the trade on NASDAQ OMX Helsinki and multilateral trading facilities increased by 19% in January-June 2014 compared to January-June 2013.

### Authorizations

The AGM 2014 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 AGM 2014 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, 2015. The share issue authorization has been used in connection with the Board of Directors remuneration.

## SHORT-TERM RISKS AND UNCERTAINTIES

There have been no significant changes in the Kemira's short-term risks or uncertainties compared to December 31, 2013.

A detailed account of the 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 management risks are discussed in the Kemira's corporate responsibility report, which was published as a part of the Kemira Annual Report 2013 on February 26, 2014.

## OTHER EVENTS DURING THE REVIEW PERIOD

On March 6, 2014, Kemira closed the divestment of formic acid business, including the feed and the airport runway de-icing product lines, which had formed the major part of ChemSolutions segment. After the closure, the remaining sodium percarbonate business in ChemSolutions segment was transferred to Paper segment and ChemSolutions segment was discontinued as of the beginning of Q2 2014. The figures for Q1 2013-Q1 2014 have been restated according to the new structure.

On May 1, 2014, Jari Rosendal started as Kemira Oyj's President and Chief Executive Officer.

On May 5, 2014, Tarjei Johansen started as President of the Oil & Mining segment and the region the Americas.

## EVENTS AFTER THE REVIEW PERIOD

On July 7, 2014, Kemira signed a preliminary agreement to acquire AkzoNobel's global paper chemicals business. The parties will also enter into a distribution agreement for AkzoNobel's colloidal silica business for retention and drainage applications used in the paper industry. The closing of the intended transaction is expected in the first quarter of 2015. The Enterprise Value of the transaction is EUR 153 million. In 2013, the revenues of the purchased business were EUR 243 million and the operative EBITDA EUR 23 million. With this acquisition, Kemira expects more than EUR 15 million of annual synergies by the end of 2016.

## KEMIRA'S FINANCIAL TARGETS FOR 2016 (UNCHANGED) AND OUTLOOK 2014 (UPDATED)

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

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 operating tax rate to be in the range of 22%-24%. The operating 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.

## Outlook (revised  from the Interim Report January-March 2014)

Revised outlook: In 2014, Kemira expects its revenue in local currencies and excluding acquisitionsand divestments to be slightly higher than in 2013 and its operative EBITDA to be approximately at the same level as in 2013.

Previous 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 |
|---|---|
| Approximately at the same level | **from -5% to 5%** |
| 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, July 22, 2014

Kemira Oyj
Board of Directors

## FINANCIAL CALENDAR 2014 AND 2015

| | |
|---|---|
| Interim Report January-September 2014 | October 22, 2014 |
| Financial results for the year 2014 | February 10, 2015 |
| Interim Report January-March 2015 | April 24, 2015 |
| Interim Report January-June 2015 | July 22, 2015 |
| Interim Report January-September 2015 | October 23, 2015 |

Kemira Capital Markets Day will be held in London on September 9, 2014.

Kemira Oyj's Annual Report 2014 will be published the week starting on February 23, 2015. The Annual General Meeting is scheduled for Monday, March 23, 2015 at 1.00 pm (CET+1). The Board of Directors of the company will convene the meeting.

*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.*

# KEMIRA GROUP

## CONSOLIDATED INCOME STATEMENT

| EUR million | 4-6/2014 | 4-6/2013 | 1-6/2014 | 1-6/2013 | 2013 |
|---|---|---|---|---|---|
| Revenue | 518.2 | 569.3 | 1,048.1 | 1,130.2 | 2,229.1 |
| Other operating income | 4.9 | 2.1 | 48.4 | 6.1 | 15.2 |
| Operating expenses | -488.2 | -529.8 | -983.9 | -1,033.6 | -2,102.4 |
| Depreciation, amortization and impairment | -24.9 | -28.3 | -48.3 | -50.2 | -99.3 |
| Operating profit (EBIT) | 10.0 | 13.3 | 64.3 | 52.5 | 42.6 |
| Finance costs, net | -8.5 | -4.2 | -13.8 | -28.9 | -39.0 |
| Share of profit or loss of associates | 0.0 | 0.1 | 0.0 | -1.1 | -1.1 |
| Profit before tax | 1.5 | 9.2 | 50.5 | 22.5 | 2.5 |
| Income tax expense | 0.3 | -5.5 | -5.6 | -16.0 | -28.4 |
| Net profit for the period | 1.8 | 3.7 | 44.9 | 6.5 | -25.9 |
| Net profit attributable to: | | | | | |
| Equity owners of the parent | 0.2 | 2.2 | 42.1 | 4.0 | -31.6 |
| Non-controlling interests | 1.6 | 1.5 | 2.8 | 2.5 | 5.7 |
| Net profit for the period | 1.8 | 3.7 | 44.9 | 6.5 | -25.9 |
| Earnings per share, basic and diluted, EUR | 0.00 | 0.02 | 0.28 | 0.03 | -0.21 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR million | 4-6/2014 | 4-6/2013 | 1-6/2014 | 1-6/2013 | 2013 |
|---|---|---|---|---|---|
| Net profit for the period | 1.8 | 3.7 | 44.9 | 6.5 | -25.9 |
| Other comprehensive income: | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Available-for-sale financial assets | 0.0 | 0.0 | 0.0 | 0.0 | -27.0 |
| Exchange differences on translating foreign operations | 0.0 | -18.7 | -4.4 | -9.4 | -17.7 |
| Cash flow hedges | 4.3 | -0.2 | 2.5 | -1.3 | -2.3 |
| Items that will not be reclassified subsequently to profit or loss: | | | | | |
| Remeasurements of defined benefit pensions | 0.0 | 0.0 | 0.0 | 2.9 | 22.6 |
| Other comprehensive income for the period, net of tax | 4.3 | -18.9 | -1.9 | -7.8 | -24.4 |
| Total comprehensive income for the period | 6.1 | -15.2 | 43.0 | -1.3 | -50.3 |
| Total comprehensive income attributable to: | | | | | |
| Equity owners of the parent | 4.5 | -16.1 | 40.2 | -3.0 | -55.4 |
| Non-controlling interests | 1.6 | 0.9 | 2.8 | 1.7 | 5.1 |
| Total comprehensive income for the period | 6.1 | -15.2 | 43.0 | -1.3 | -50.3 |

# CONSOLIDATED BALANCE SHEET

| EUR million | 30/06/2014 | 31/12/2013 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Goodwill | **473.4** | 471.9 |
| Other intangible assets | **76.9** | 75.3 |
| Property, plant and equipment | **650.8** | 644.5 |
| Investments in associates | **0.8** | 0.8 |
| Available-for-sale financial assets | **233.8** | 233.6 |
| Deferred tax assets | **39.6** | 36.0 |
| Other investments | **9.0** | 9.2 |
| Defined benefit pension receivables | **29.9** | 29.8 |
| **Total non-current assets** | **1,514.2** | 1,501.1 |
| **Current assets** | | |
| Inventories | **175.4** | 169.9 |
| Interest-bearing receivables | **0.2** | 0.5 |
| Trade and other receivables | **329.5** | 320.9 |
| Current income tax assets | **21.2** | 11.2 |
| Cash and cash equivalents | **199.9** | 102.0 |
| **Total current assets** | **726.2** | 604.5 |
| Non-current assets classified as held-for-sale | **-** | 105.4 |
| **Total assets** | **2,240.4** | 2,211.0 |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Equity attributable to equity owners of the parent | **1,072.7** | 1,112.5 |
| Non-controlling interests | **12.4** | 13.0 |
| **Total equity** | **1,085.1** | 1,125.5 |
| **Non-current liabilities** | | |
| Interest-bearing liabilities | **416.6** | 279.9 |
| Other liabilities | **21.4** | 21.4 |
| Deferred tax liabilities | **48.2** | 43.5 |
| Defined benefit pension liabilities | **73.2** | 73.8 |
| Provisions | **24.9** | 27.3 |
| **Total non-current liabilities** | **584.3** | 445.9 |
| **Current liabilities** | | |
| Interest-bearing current liabilities | **232.8** | 278.4 |
| Trade payables and other liabilities | **302.8** | 302.6 |
| Current income tax liabilities | **11.3** | 13.6 |
| Provisions | **24.1** | 25.2 |
| **Total current liabilities** | **571.0** | 619.8 |
| Liabilities directly associated with the assets classified as held-for-sale | **-** | 19.8 |
| **Total liabilities** | **1,155.3** | 1,085.5 |
| **Total equity and liabilities** | **2,240.4** | 2,211.0 |

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| EUR million | 4-6/2014 | 4-6/2013 | 1-6/2014 | 1-6/2013 | 2013 |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | |
| Net profit for the period | **1.8** | 3.7 | **44.9** | 6.5 | -25.9 |
| Total adjustments | **24.0** | 48.2 | **24.5** | 102.7 | 228.1 |
| Operating profit before change in net working capital | **25.8** | 51.9 | **69.4** | 109.2 | 202.2 |
| Change in net working capital | **-10.0** | -6.8 | **-31.2** | -11.1 | 24.8 |
| Cash generated from operations | **15.8** | 45.1 | **38.2** | 98.1 | 227.0 |
| Finance expenses, net and dividends received | **-11.9** | -1.4 | **-14.5** | -7.1 | -0.2 |
| Income taxes paid | **-6.8** | -5.1 | **-13.5** | -12.1 | -26.5 |
| **Net cash generated from operating activities** | **-2.9** | 38.6 | **10.2** | 78.9 | 200.3 |
| **Cash flow from investing activities** | | | | | |
| Purchases of subsidiaries, net of cash acquired | **-** | - | **-** | - | -58.6 |
| Other capital expenditure | **-34.0** | -30.9 | **-59.6** | -59.9 | -138.9 |
| Proceeds from sale of assets | **-1.7** | 3.0 | **140.9** | 181.6 | 193.4 |
| Change in long-term loan receivables decrease (+) / increase (-) | **-0.9** | -0.2 | **-0.7** | -0.2 | -0.5 |
| **Net cash used in investing activities** | **-36.6** | -28.1 | **80.6** | 121.5 | -4.6 |
| **Cash flow from financing activities** | | | | | |
| Proceeds from non-current interest-bearing liabilities (+) | **200.0** | 6.8 | **200.0** | 6.9 | 0.0 |
| Repayments from non-current interest-bearing liabilities (-) | **-15.5** | -8.4 | **-27.6** | -8.9 | -95.1 |
| Short-term financing, net increase (+) / decrease (-) | **-21.7** | -1.8 | **-83.3** | -98.7 | -32.6 |
| Dividends paid | **-84.0** | -83.3 | **-84.0** | -83.3 | -85.1 |
| Other finance items | **1.0** | 0.7 | **1.1** | 1.2 | -1.1 |
| **Net cash used in financing activities** | **79.8** | -86.0 | **6.2** | -182.8 | -213.9 |
| **Net decrease (-) / increase (+) in cash and cash equivalents** | **40.3** | -75.5 | **97.0** | 17.6 | -18.2 |
| Cash and cash equivalents at end of period | **199.9** | 139.9 | **199.9** | 139.9 | 102.0 |
| Exchange gains (+) / losses (-) on cash and cash equivalents | **1.2** | 2.8 | **0.9** | 1.3 | -3.4 |
| Cash and cash equivalents at beginning of period | **158.4** | 218.2 | **102.0** | 123.6 | 123.6 |
| **Net decrease (-) / increase (+) in cash and cash equivalents** | **40.3** | -75.5 | **97.0** | 17.6 | -18.2 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| EUR million | Equity attributable to equity owners of the parent | | | | | | | | Non-controlling interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Fair value and other reserves | Un-restricted equity reserve | Exchange differences | Treasury shares | Retained earnings | Total | | |
| **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** | - | - | - | - | - | - | 4.0 | 4.0 | 2.5 | 6.5 |
| Other comprehensive income, net of tax | - | - | -1.3 | - | -8.6 | - | 2.9 | -7.0 | -0.8 | -7.8 |
| **Total comprehensive income** | - | - | -1.3 | - | -8.6 | - | 6.9 | -3.0 | 1.7 | -1.3 |
| | | | | | | | | | | |
| **Transactions with owners** | | | | | | | | | | |
| Dividends paid | - | - | - | - | - | - | -80.6 *) | -80.6 | -2.7 | -83.3 |
| 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 | - | - | - | - | - | - | 0.3 | 0.3 | - | 0.3 |
| Other changes | - | - | - | - | - | - | -0.1 | -0.1 | - | -0.1 |
| **Transactions with owners** | - | - | - | - | - | 0.0 | -80.4 | -80.4 | -2.7 | -83.1 |
| | | | | | | | | | | |
| **Equity at June 30, 2013** | 221.8 | 257.9 | 92.4 | 196.3 | -31.7 | -22.2 | 449.5 | 1,164.0 | 12.2 | 1,176.2 |

*) A dividend was EUR 80.6 million in total (EUR 0.53 per share) in respect of the financial year ended December 31, 2012. The annual general meeting approved EUR 0.53 dividend on March 26, 2013. The dividend record date was April 2, 2013, and the payment date April 9, 2013.

| EUR million | Share capital | Share premium | Fair value and other reserves | Un-restricted equity reserve | Exchange differences | Treasury shares | Retained earnings | Total | Non-controlling interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Equity at January 1, 2014** | 221.8 | 257.9 | 64.0 | 196.3 | -40.2 | -22.2 | 434.9 | 1,112.5 | 13.0 | 1,125.5 |
| **Net profit for the period** | - | - | - | - | - | - | 42.1 | 42.1 | 2.8 | 44.9 |
| Other comprehensive income, net of tax | - | - | 2.5 | - | -4.4 | - | - | -1.9 | 0.0 | -1.9 |
| **Total comprehensive income** | - | - | 2.5 | - | -4.4 | - | 42.1 | 40.2 | 2.8 | 43.0 |
| | | | | | | | | | | |
| **Transactions with owners** | | | | | | | | | | |
| Dividends paid | - | - | - | - | - | - | -80.6 *) | -80.6 | -3.4 | -84.0 |
| Treasury shares issued to the Board of Directors | - | - | - | - | - | 0.1 | - | 0.1 | - | 0.1 |
| Share-based payments | - | - | - | - | - | - | 0.2 | 0.2 | - | 0.2 |
| Other changes | - | - | - | - | - | - | 0.3 | 0.3 | - | 0.3 |
| **Transactions with owners** | - | - | - | - | - | 0.1 | -80.1 | -80.0 | -3.4 | -83.4 |
| | | | | | | | | | | |
| **Equity at June 30, 2014** | 221.8 | 257.9 | 66.5 | 196.3 | -44.6 | -22.1 | 396.9 | 1,072.7 | 12.4 | 1,085.1 |

*) A dividend was EUR 80.6 million in total (EUR 0.53 per share) in respect of the financial year ended December 31, 2013. The annual general meeting approved EUR 0.53 dividend on March 24, 2014. The dividend record date was March 27, 2014, and the payment date April 3, 2014.

Kemira had in its possession 3,291,185 of its treasury shares on June 30, 2014. 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.

The share premium is a reserve accumulating through subscriptions entitled by the management stock option program 2001. This reserve based on the old Finnish Companies Act (734/1978), which does not change anymore. The fair value reserve is a reserve accumulating based on available-for-sale financial assets (shares) measured at fair value and hedge accounting. Other reserves originate from local requirements of subsidiaries. The unrestricted equity reserve includes other equity type investments and the subscription price of shares to the extent that they will not, based on a specific decision, be recognized in share capital.

## KEY FIGURES

| | 4-6/2014 | 4-6/2013 | 1-6/2014 | 1-6/2013 | 2013 |
|---|---|---|---|---|---|
| Earnings per share, basic and diluted, EUR *) | **0.00** | 0.02 | **0.28** | 0.03 | -0.21 |
| Cash flow from operations per share, EUR *) | **-0.02** | 0.25 | **0.07** | 0.52 | 1.32 |
| Capital expenditure, EUR million | **34.0** | 30.9 | **59.6** | 59.9 | 197.5 |
| Capital expenditure / revenue, % | **6.6** | 5.4 | **5.7** | 5.3 | 8.9 |
| Average number of shares, basic (1,000) *) | **152,048** | 152,039 | **152,045** | 152,036 | 152,039 |
| Average number of shares, diluted (1,000) *) | **152,186** | 152,203 | **152,189** | 152,171 | 152,179 |
| Number of shares at end of period, basic (1,000) *) | **152,051** | 152,042 | **152,051** | 152,042 | 152,042 |
| Number of shares at end of period, diluted (1,000) *) | **152,189** | 152,206 | **152,189** | 152,206 | 152,091 |
| Equity per share, EUR *) | | | **7.05** | 7.66 | 7.32 |
| Equity ratio, % | | | **48.5** | 51.4 | 50.9 |
| Gearing, % | | | **41.4** | 36.1 | 40.6 |
| Interest-bearing net liabilities, EUR million | | | **449.5** | 425.0 | 456.3 |
| Personnel (average) | | | **4,315** | 4,708 | 4,632 |

*) Number of shares outstanding, excluding the treasury shares.

## REVENUE BY BUSINESS AREA

| EUR million | 4-6/2014 | 4-6/2013 | 1-6/2014 | 1-6/2013 | 2013 |
|---|---|---|---|---|---|
| Paper *) | **282.0** | 278.0 | **562.4** | 545.9 | 1,112.8 |
| Oil & Mining | **97.6** | 79.9 | **189.6** | 156.2 | 311.5 |
| Municipal & Industrial | **138.6** | 178.0 | **276.3** | 342.8 | 659.4 |
| ChemSolutions *) | **0.0** | 33.4 | **19.8** | 85.3 | 145.4 |
| **Total** | **518.2** | 569.3 | **1,048.1** | 1,130.2 | 2,229.1 |

## OPERATING PROFIT (EBIT) BY BUSINESS AREA

| EUR million | 4-6/2014 | 4-6/2013 | 1-6/2014 | 1-6/2013 | 2013 |
|---|---|---|---|---|---|
| Paper *) | **-5.1** | -0.7 | **14.3** | 16.7 | 45.1 |
| Oil & Mining | **6.7** | 1.8 | **11.2** | 6.1 | 6.5 |
| Municipal & Industrial | **8.4** | 11.5 | **3.2** | 19.3 | -23.4 |
| ChemSolutions *) | **0.0** | 0.7 | **35.6** | 10.4 | 14.4 |
| **Total** | **10.0** | 13.3 | **64.3** | 52.5 | 42.6 |

*) On March 2014, Kemira closed the divestment of formic acid business which had formed the major part of ChemSolutions segment. After the closure, the remaining sodium percarbonate business in ChemSolutions segment was transferred to Paper segment and ChemSolutions segment was discontinued as of the beginning of Q2 2014.

## CHANGES IN PROPERTY, PLANT AND EQUIPMENT

| EUR million | 1-6/2014 | 1-6/2013 | 2013 |
|---|---|---|---|
| **Carrying amount at beginning of year** | **644.5** | 655.9 | 655.9 |
| Acquisitions of subsidiaries | **-** | - | 30.4 |
| Increases | **50.3** | 43.9 | 116.3 |
| Decreases | **-1.6** | -0.1 | -1.8 |
| Disposal of subsidiaries | **-** | - | -17.9 |
| Depreciation and impairments | **-40.6** | -44.0 | -86.0 |
| Transferred to non-current assets classified as held-of-sale | **-** | - | -33.9 |
| Exchange rate differences and other changes | **-1.8** | -5.8 | -18.5 |
| **Net carrying amount at end of period** | **650.8** | 649.9 | 644.5 |

## CHANGES IN INTANGIBLE ASSETS

| EUR million | 1-6/2014 | 1-6/2013 | 2013 |
|---|---|---|---|
| **Carrying amount at beginning of year** | **547.2** | 583.0 | 583.0 |
| Acquisitions of subsidiaries | **-** | - | 53.3 |
| Increases | **9.4** | 3.3 | 9.9 |
| Decreases | **0.0** | 0.0 | 0.0 |
| Disposal of subsidiaries | **-** | - | -41.1 |
| Amortization and impairments | **-7.7** | -6.2 | -13.3 |
| Transferred to non-current assets classified as held-of-sale | **-** | - | -36.6 |
| Exchange rate differences and other changes | **1.4** | -2.0 | -8.0 |
| **Net carrying amount at end of period** | **550.3** | 578.1 | 547.2 |

## DERIVATIVE INSTRUMENTS

| EUR million | 6/30/2014 | | 12/31/2013 | |
|---|---|---|---|---|
| | **Nominal value** | **Fair value** | Nominal value | Fair value |
| **Currency instruments** | | | | |
| Forward contracts | **493.3** | **-3.6** | 604.8 | 0.7 |
| | | | | |
| **Interest rate instruments** | | | | |
| Interest rate swaps | **289.3** | **-2.7** | 194.6 | -3.6 |
| of which cash flow hedge | **189.3** | **-2.9** | 194.6 | -3.6 |
| of which fair value hedge | **100.0** | **0.2** | - | - |
| | | | | |
| Bond futures | **10.0** | **-0.2** | 10.0 | 0.2 |
| of which open | **10.0** | **-0.2** | 10.0 | 0.2 |
| | | | | |
| **Other instruments** | **GWh** | **Fair value** | GWh | Fair value |
| Electricity forward contracts, bought | **1,676.8** | **-6.9** | 1,450.5 | -7.8 |
| of which cash flow hedge | **1,676.8** | **-6.9** | 1,450.5 | -7.8 |

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

# FAIR VALUE OF FINANCIAL ASSETS

| EUR million | 6/30/2014 | | | | 12/31/2013 | | | |
|---|---|---|---|---|---|---|---|---|
| **Fair value hierarchy** | **Level 1** | **Level 2** | **Level 3** | **Total net** | Level 1 | Level 2 | Level 3 | Total net |
| Available-for-sale financial assets | **6.8** | **-** | **227.0** | **233.8** | 6.6 | - | 227.0 | 233.6 |
| Currency instruments | **-** | **2.4** | **-** | **2.4** | - | 4.0 | - | 4.0 |
| Interest rate instruments, hedge accounting | **-** | **0.2** | **-** | **0.2** | - | - | - | 0.0 |
| Other instruments | **-** | **-** | **-** | **0.0** | - | 0.2 | - | 0.2 |
| Trade receivables | **-** | **259.5** | **-** | **259.5** | - | 255.4 | - | 255.4 |
| **Total** | **6.8** | **262.1** | **227.0** | **495.9** | 6.6 | 259.6 | 227.0 | 493.2 |

Level 1: Fair value is determined based on quoted market prices in markets.
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 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 which have a significant effect on the recorded fair value, and inputs are not based on observable market data.

| **Level 3 specification** | **Total net 6/30/2014** | Total net 12/31/2013 |
|---|---|---|
| **Instrument** | | |
| Carrying amount at beginning of period | **227.0** | 264.0 |
| Effect on the statement of comprehensive income | **-** | -41.1 |
| Transfers | **-** | - |
| Increases | **-** | 4.1 |
| Decreases | **-** | - |
| **Carrying amount at end of period** | **227.0** | 227.0 |

# FAIR VALUE OF FINANCIAL LIABILITIES

| EUR million | 6/30/2014 | | | | 12/31/2013 | | | |
|---|---|---|---|---|---|---|---|---|
| **Fair value hierarchy** | **Level 1** | **Level 2** | **Level 3** | **Total net** | Level 1 | Level 2 | Level 3 | Total net |
| Non-current interest-bearing liabilities | **-** | **425.7** | **-** | **425.7** | - | 284.1 | - | 284.1 |
| liabilities | **-** | **98.9** | **-** | **98.9** | - | 59.2 | - | 59.2 |
| Loans from financial institutions | **-** | **52.5** | **-** | **52.5** | - | 57.2 | - | 57.2 |
| Other liabilities | **-** | **112.4** | **-** | **112.4** | - | 185.2 | - | 185.2 |
| Currency instruments | **-** | **6.0** | **-** | **6.0** | - | 3.3 | - | 3.3 |
| Interest rate instruments | **-** | **2.9** | **-** | **2.9** | - | 3.6 | - | 3.6 |
| Other instruments | **-** | **7.1** | **-** | **7.1** | - | 7.8 | - | 7.8 |
| Trade payables | **-** | **135.0** | **-** | **135.0** | - | 143.3 | - | 143.3 |
| **Total** | **-** | **840.5** | **-** | **840.5** | - | 743.7 | - | 743.7 |

## CONTINGENT LIABILITIES

| EUR million | 6/30/2014 | 12/31/2013 |
|---|---|---|
| **Assets pledged** | | |
| On behalf of own commitments | **6.2** | 6.4 |
| **Guarantees** | | |
| On behalf of own commitments | **43.2** | 50.4 |
| On behalf of others | **3.3** | 3.1 |
| **Operating leasing liabilities** | | |
| Maturity within one year | **23.6** | 26.4 |
| Maturity after one year | **145.8** | 139.9 |
| **Other obligations** | | |
| On behalf of own commitments | **1.3** | 1.6 |
| On behalf of associates | **0.7** | 0.7 |

**Major off-balance sheet investment commitments**

Major amounts of contractual commitments for the acquisition of property, plant and equipment on June 30, 2014 were about EUR 5.6 million for plant investments in China and Europe.

## Litigation

On August 19, 2009, Kemira Oyj received a summons stating that Cartel Damage Claims Hydrogen Peroxide SA 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 had 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 made on July 4, 2013 a decision which could not be appealed separately. In its decision the municipal court considered to have jurisdiction and that the claims made by the claimant were at least not totally time-barred. On May 19, 2014 Kemira announced that it had signed an agreement with Cartel Damage Claims Hydrogen Peroxide SA and CDC Holding SA (together “CDC”) to settle the lawsuit in Helsinki, Finland. Based on the settlement CDC withdrew the damages claims and Kemira paid to CDC a compensation of EUR 18.5 million and compensated CDC for its legal costs. The settlement also includes significant limitations of liabilities for Kemira regarding the pending legal actions filed by CDC entities in Dortmund, Germany (mentioned above) and in Amsterdam, the Netherlands (mentioned below).

Kemira Oyj's subsidiary Kemira Chemicals Oy (former Finnish Chemicals Oy) has on June 9, 2011 received documents where it was stated that CDC Project 13 SA has filed an action against four companies in municipal court of Amsterdam, including Kemira, asking damages for violations of competition law applicable to the sodium chlorate business. The European Commission set on June 2008 a fine of EUR 10.15 million on Finnish Chemicals Oy for antitrust activity in the company's sodium chlorate business during 1994-2000. Kemira Oyj acquired Finnish Chemicals in 2005. The municipal court of Amsterdam decided on June 4, 2014 to have jurisdiction over the case. The said decision may be appealed separately and Kemira is considering an appeal. Kemira defends against the claim of CDC Project 13 SA.

As mentioned above the settlement between Kemira and CDC relating the Helsinki litigation also includes significant limitations of liabilities for Kemira regarding the pending legal actions filed by CDC entities in Dortmund, Germany and in Amsterdam, the Netherlands. However, regardless of such limitations of liabilities, Kemira is currently not in a position to make any estimate regarding the duration or the likely outcome of the 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.

## RELATED PARTY

Transactions with related parties have not changed materially.

## QUARTERLY INFORMATION

| | 2014 4-6 | 2014 1-3 | 2013 10-12 | 2013 7-9 | 2013 4-6 | 2013 1-3 |
|---|---|---|---|---|---|---|
| **EUR million** | | | | | | |
| **Revenue** | | | | | | |
| Paper *) | **282.0** | 280.4 | 283.2 | 283.7 | 278.0 | 267.9 |
| Oil & Mining | **97.6** | 92.0 | 78.5 | 76.8 | 79.9 | 76.3 |
| Municipal & Industrial | **138.6** | 137.7 | 152.4 | 164.2 | 178.0 | 164.8 |
| ChemSolutions *) | **0.0** | 19.8 | 31.1 | 29.0 | 33.4 | 51.9 |
| **Total** | **518.2** | 529.9 | 545.2 | 553.7 | 569.3 | 560.9 |
| **Operating profit (EBIT)** | | | | | | |
| Paper *) | **-5.1** | 19.4 | 9.1 | 19.3 | -0.7 | 17.4 |
| Oil & Mining | **6.7** | 4.5 | -3.9 | 4.3 | 1.8 | 4.3 |
| Municipal & Industrial | **8.4** | -5.2 | -47.3 | 4.6 | 11.5 | 7.8 |
| ChemSolutions *) | **0.0** | 35.6 | 3.2 | 0.8 | 0.7 | 9.7 |
| **Total** | **10.0** | 54.3 | -38.9 | 29.0 | 13.3 | 39.2 |
| **Operating profit (EBIT), excluding non-recurring items** | | | | | | |
| Paper *) | **18.2** | 21.9 | 23.1 | 24.4 | 19.1 | 19.3 |
| Oil & Mining | **7.1** | 6.3 | 2.1 | 6.7 | 3.5 | 5.1 |
| Municipal & Industrial | **11.7** | 8.8 | 6.9 | 14.4 | 15.9 | 8.6 |
| ChemSolutions *) | **0.0** | -0.7 | 2.4 | 2.0 | 1.5 | 9.2 |
| **Total** | **37.0** | 36.3 | 34.5 | 47.5 | 40.0 | 42.2 |

*) On March 2014, Kemira closed the divestment of formic acid business which had formed the major part of ChemSolutions segment. After the closure, the remaining sodium percarbonate business in ChemSolutions segment was transferred to Paper segment and ChemSolutions segment was discontinued as of the beginning of Q2 2014.

## DEFINITIONS OF KEY 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**

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

**Equity per share**

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

**Equity ratio, %**

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

**Gearing, %**

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

**Interest-bearing net liabilities**

Interest-bearing liabilities - cash and cash equivalents

**Return on capital employed (ROCE), %**

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

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

## BASIS OF PREPARATION

This unaudited condensed consolidated interim financial statements has been prepared in accordance with IAS 34 'Interim financial reporting'. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRS.

All the figures in this interim financial statements have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

## ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except as described below.

- Taxes on income in the interim periods are accrued using the tax rate that would be applicable total annual earnings.

- IFRS 10 Consolidated Financial Statements. 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. The new standard had no impact on the Group's financial figures.

- IFRS 11 Joint Arrangements. 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. The new standard had no impact on the Group's financial figures.

- IFRS 12 Disclosure of Interests in Other Entities. 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. The new standard had no impact on the Group's financial figures.

- IAS 27 (revised 2011) Separate Financial Statements. 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. The revised standard had no impact on the Group's financial figures.

- IAS 28 (revised 2011) Investments in Associates and Joint Ventures. The revised standard includes requirements for both joint operations and associates to be accounted by using equity method of accounting after IFRS 11 was issued. The revised standard had no impact on the Group's financial figures.

- Amendment to IAS 32 Financial instruments: Presentation. The amendment clarifies the conditions for net presentation of financial assets and liabilities and introduces some additional application guidance. The amendment had no impact on the Group's financial figures.

- Amendment to IAS 36 Impairment of assets: Recoverable Amount Disclosures for Non-Financial Assets. The overall effect of the amendments is to clarify the disclosure requirements on those cash generating units which have been subject to impairment. The amendment had no impact on the Group's financial figures.

- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting. 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. The amendments had no impact on the Group's financial figures.

- Amendment to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The amendment provides additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendment had no impact on the Group's financial figures.

- Amendment to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements. The amendment provides 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 or IAS 39. The amendment had no impact on the Group's financial figures.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.