kemira

Annual Report 2008

Kemira

Kemira focuses on water and fiber management chemistry, its goal is to be the best in its field. In 2008, Kemira recorded revenue of approximately EUR 2.8 billion and had a staff of 9,405. Kemira operates in 40 countries.

Key Changes 2008

We Changed Our Strategy

We announced our new strategy in June 2008 according to which we will focus on the water and fiber management chemistry. Phase one involves enhancing our profitability, improving our cash flows and strengthening our balance sheet. Phase two involves pursuing strong organic growth.

We Plan to List Tikkurila

We have announced our plan to list Tikkurila on the NASDAQ OMX Helsinki Oy which is targeted to take place once market conditions permit.

We Renewed Our Structure

In 2008, we reorganized our business structure to reflect our new strategy. Kemira's water management related operations are now organized into three segments: Paper, Water, and Oil & Mining. Tikkurila is responsible for Kemira's paints and coatings business, and a new Board of Directors was appointed to Tikkurila at the beginning of 2009. Our structural reorganization also involved discontinuing the Kemira Specialty business.

We Launched a Savings Program

In 2008, we launched a global savings program with the goal of saving more than EUR 60 million in 2009–2010. In addition Tikkurila aims to save EUR 25 million annually. We booked EUR 79,8 million one-time items for the last quarter of 2008. These items are related to cuts in production capacity, closing of sites, termination of unprofitable businesses and headcount reductions.

Contents

Water is the Connection

Kemira offers a comprehensive product range and an extensive knowledge base in fiber treatment chemistry, chemical water treatment and water separation technology. Kemira's segments focusing on water and fiber management chemistry are Paper, Water and Oil & Mining. Tikkurila is responsible for Kemira's paints and coatings business. In line with its corporate strategy, Kemira focuses on its core business and has announced its plan to list Tikkurila on the NASDAQ OMX Helsinki Oy once market conditions permit.

Paper

We offer chemical products and integrated systems that support sustainable development and help customers in the pulp and paper industry to improve their profitability, as well as their raw material and energy efficiency.

EUR million	2008
Revenue	1,003
Costs	–911
Depreciation and impairments	–95
Operating profit	–3
Operating profit excluding non-recurring items	42
Capital expenditure	67

Water

We offer services for municipal and industrial water treatment. Our strengths are high-level process know-how, a comprehensive range of water treatment chemicals, and reliable customer deliveries.

EUR million	2008
Revenue	584
Costs	–530
Depreciation and impairments	–47
Operating profit	7
Operating profit excluding non-recurring items	25
Capital expenditure	52

Oil & Mining

We offer a large selection of groundbreaking chemical solutions for the oil and mining industries, where water plays a central role. Utilizing our expertise, our customers are able to improve their efficiency and productivity.

EUR million	2008
Revenue	275
Costs	–258
Depreciation and impairments	–16
Operating profit	1
Operating profit excluding non-recurring items	8
Capital expenditure	11

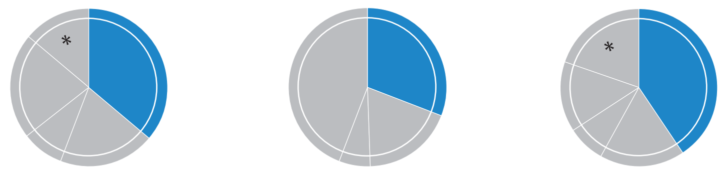
Tikkurila

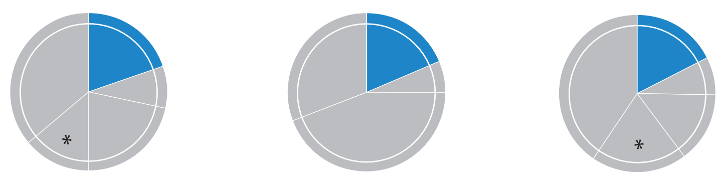
We provide consumers, professional painters and industrial customers with branded products and expert services in approximately 40 countries. Our product range consists of decorative paints and coatings for the wood and metal industries.

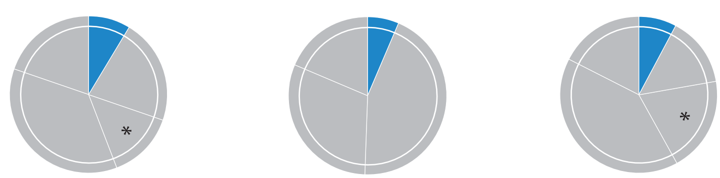
EUR million	2008
Revenue	648
Costs	–570
Depreciation and impairments	–19
Operating profit	59
Operating profit excluding non-recurring items	59
Capital expenditure	36

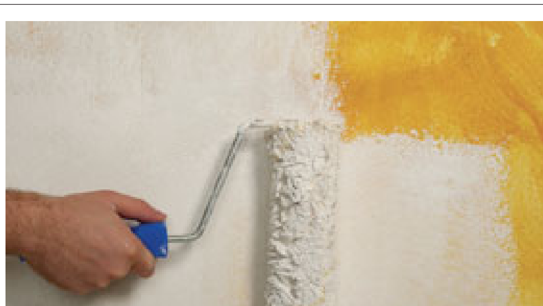
All figures adjusted to comply with the new business structure.

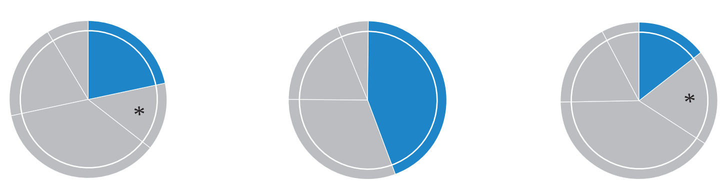
	Share of Revenue	Share of Operating Profit, Excluding Non-recurring Items	Share of Capital Employed











* Other, including ChemSolutions.

Year 2008 in Brief

In 2008, Kemira recorded revenue of EUR 2,832.7 million and posted an operating profit of EUR 132.6 million*. Earnings per share were EUR 0.29*. On December 31, 2008 the company had a payroll of 9,405 employees and operations in 40 countries. The Board of Directors proposes that a per-share dividend of EUR 0.25 be paid for 2008.

* excluding non-recurring items

Kemira's revenue for 2008 totaled EUR 2,832.7 million (2,810.2). Sales price hikes increased revenue by some EUR 153 million and larger sales volumes increased revenue by some EUR 11 million.

Acquisitions contributed about EUR 38 million to revenue growth while divestments decreased revenue by some EUR 130 million. The currency exchange effect had a negative impact on revenue of some EUR 63 million. Organic revenue growth excluding acquisitions and divestments in local currencies was 6%.

Operating profit for 2008, excluding non-recurring items, was EUR 132.6 million (174.6). This decrease was due to the significantly higher prices of raw materials and energy. Free cash flow after investments increased.

Our main focus areas in 2009 are improving profitability, and reinforcing the cash flow and balance sheet.

We went through some major changes in 2008. We announced our new, water-focused strategy and changed our organization to enable the implementation of the strategy. Our customer-oriented strategy is based on our specific water treatment know-how. Our customers' diverse water-related needs and the development of new water treatment technologies are providing Kemira with new opportunities.

As part of Kemira's new strategy, the Board of Directors plans to separate the coatings business, i.e. Tikkurila, and list it on the NASDAQ OMX Helsinki Oy, once market conditions permit.

We will continue to improve our operational efficiency which we started in 2008. The target of our global savings program is EUR 85 million in 2009–2010.

Key Figures

EUR million	**2008**	2007
Revenue	**2,832.7**	2,810.2
Operating profit	**74.0**	143.1
Operating profit, excluding non-recurring items	**132.6**	174.6
Operating profit, %	**2.6**	5.1
Operating profit, % excluding non-recurring items	**4.7**	6.2
Profit before tax	**1.8**	93.3
Net profit	**1.8**	67.5
EPS, EUR	**−0.02**	0.53
EPS, EUR, excluding non-recurring items	**0.29**	0.75
ROCE, % *	**3.5**	7.1
Cash flow after capital expenditure	**2.7**	−149.1
Equity ratio, %	**34**	39
Gearing, %	**107**	92
Personnel at year-end	**9,405**	10,007

* 12-month rolling average

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

Committed to Clean Water

“We have an excellent strategy focusing on water, and we are on the right track with the changes we have initiated. We will make Kemira into a very successful company,” says Kemira’s President and CEO Harri Kerminen.

The year 2008 was truly an exceptional year in the business world. It began with rapidly rising raw material prices. In the autumn, economic turmoil hit the business world, and financing became a high-priority issue for many companies. Many of our customers were affected, and generally cautious actions became necessary in adjusting to the rapid changes. All in all, these uncertain times have limited our insight into our current business environment and its future development.

Improved Performance During the Second Half of the Year

Kemira responded to the increase in raw material costs by increasing sales prices globally. Despite this, the operating profit in the first half of the year was weaker than the year before, and revenue was at the previous year’s level.

In the third quarter of the year, price increases and performance enhancement measures began to gain traction. The third quarter was already clearly better than the first two quarters of the year. Operating profit excluding non-recurring items as well as sales increased from the second quarter, raising operating profit as a percentage of revenue. This positive development continued into the last quarter of the year. Both sales in continuing businesses and operative results improved from the same period during the year earlier. We are clearly doing the right things and heading in the right direction.

However, during the final weeks of the year, the impact of the global economic slow-down was also felt at Kemira, especially in the paints and coatings business, which suffered from the downturn in the construction industry, and in pulp and paper chemicals.

According to Kemira’s targets, our focus is on improving profitability, cash flow and balance sheet. During 2008 we turned our free cash flow after investments positive. Strengthening the balance sheet will be one of our key focus areas in 2009.

Water Knowledge is Our Strength

In June 2008, Kemira’s Board of Directors took the important decision that Kemira’s future focus would be on water and on those businesses in the portfolio connected with it. Water treatment related technology and know-how in water chemistry ties our core businesses together. Our water knowledge, combined with our unique global presence, presents Kemira with clear competitive advantages.

In order to tap all of the water knowledge that has been accumulated in Kemira as a result of several acquisitions and intensive research and development, we implemented a major reorganization in 2008. We simplified our company structure and created a new organization model to support cross-sales and co-operation between different segments and functions. We closed sites with low profitability and focused our supply chain on fewer logistics terminals and functional hubs. As a consequence of this, we booked close to EUR 80 million in one-time costs for the last quarter of the year, which will improve Kemira’s profitability in the coming years and enable its future growth and focus.

Harri Kerminen

For managing the integrated Kemira, our target setting system was renewed globally and new key performance indicators were set. As part of the renewing of our operating model, we finalized the SAP ERP implementation. This will enable us to have global processes and to better steer our business around the world.

Restructuring for the Future

In June 2008, Kemira's Board of Directors announced, as part of the new strategy, its plans to separate coatings business, i.e. Tikkurila, and list it on the NASDAQ OMX Helsinki Oy once market conditions permit. At the beginning of the year 2009 a new President and CEO Erkki Järvinen has taken the lead in Tikkurila.

As another part of the reorganization work, we dispersed our former Specialty business and formed a titanium dioxide joint venture with Rockwood, in which Kemira holds a 39% ownership. ChemSolutions, which produces organic acids and salts for food, feed and the pharmaceutical industry, will be developed according to its own strategy.

Group-wide Cost Savings Program Underway

We have launched a Group-wide cost savings program with a savings target of more than EUR 60 million in 2009–2010. In addition, Tikkurila aims to save EUR 25 million annually.

Regrettably, due to the organizational re-structuring and the cost savings program, we were forced to make personnel cuts, which is always very unfortunate. We took measures to support those who lost their jobs, in accordance with local good practices.

Our Goal is to Build a New Culture

We are building a new, unified Kemira to support our strategic direction. Our goal is to develop a global culture which is focused on profitability, performance and the implementation of our strategy. We will improve the cooperation between various segments and functions and build a common understanding and commitment to shared targets. A motivated management team, with new members recruited both from customer industries as well as from around the chemicals industry, is working together with the entire Kemira personnel to achieve these targets.

Committed to Clean Water

Kemira is a company with unique know-how and skills in water treatment technology and chemistry. Water is a scarce resource and will become even more valuable in the future. We have an excellent strategy focusing on water, and we are on the right track with the changes we have initiated. We will make Kemira into a very successful company.

Strategy Based on Strong Competence in Water Treatment

Our customers' water recycling and water treatment needs are showing very powerful future growth. To meet the resulting demand, we provide an extensive product portfolio and leading competence in chemical water treatment and fiber chemistry.

Our Choice of Strategy

We will focus on businesses that have water technology as their uniting factor. Kemira has a strong competence, leading technology, and an extensive product range in water and fiber management chemistry. Our segments, Paper, Water, and Oil & Mining, can all use the same product know-how and chemistry in their operations which we have built through dedicated research and development work, as well as the numerous acquisitions.

We continue to develop our other business operations as separate entities. Our plan to list Tikkurila on the NASDAQ OMX Helsinki Oy once market conditions permit is part of our strategic overhaul. ChemSolutions will concentrate on serving customers in the food and feed markets and in the pharmaceutical and chemical industries.

Our strategy, "Profitability over Growth", represents a policy that guides all our actions. We are seeking to strengthen our balance sheet by focusing on our core business, and to improve our profitability for example through cost saving measures and combining our production, warehousing and R&D networks. Cash flow will be enhanced by streamlining our supply chains, concentrating on profitable customer relationships, through pricing and a strict investment policy as well as working capital controlling.

New Business from Environmental Challenges

Global environmental challenges create new business opportunities. Population growth, urbanization and the rapid growth of industrial production in the developing markets will lead to growing demand for natural resources. In such a setting, effective water management is required in order to guarantee a secure, high-quality water supply. More restrictive legislation, mounting requirements for clean water in developing countries and the development of new water treatment technologies are providing Kemira with new opportunities.

Our customers have diverse water-related needs: the availability of clean water, the efficient use of raw materials and water. For example in the paper industry, water is the key medium in fiber and paper-making processes. It is important to use fiber and water efficiently, in order to save energy and raw materials. Effective process water recycling reduces raw water consumption and waste water but requires an integrated water processing system. Meanwhile, the challenges water works experience include the treatment of raw water to produce high-quality drinking water in conformity with environmental regulations, and the treatment of waste water in line with environmental regulations.

Vision

Kemira is a focused company, the best in water and fiber management chemistry

Strategy

We focus on water and fiber management chemistry. Our core business consists of three customer-oriented segments, Paper, Water and Oil & Mining, which are extensively utilising a shared product portfolio as well as our know-how in water chemistry and product applications. We implement our strategy through an integrated structure and uniform processes and procedures.

Financial Targets

Organic revenue growth 5% per year
EBIT, % of revenue > 10%
Cash flow after investments and dividends: positive
Return on capital employed (ROCE), %: continuous improvement
Gearing: targeted level 40–80%

Our Brand Promises

Reliable

We keep our promises and do our utmost to solve everyday problems. We adapt to our customers' changing needs and stand behind what we promise.

Co-operative

We put time and effort into understanding our partners' world. For us, an assignment always begins with listening and moves ahead as we share our expertise and experience. This is how we can together achieve our customers' objectives.

Responsible

We constantly seek out ways to improve the safety of our products and processes. We want to play a positive role in social development and are doing our best to protect the environment. Doing our part in being a good corporate citizen goes with successful business practice.

Proactive

We work unstintingly to improve our customers' business. We plan the future and develop new applications, ways of working and products that help our customers make big strides in accomplishing their own tasks.

Year 2008: Takeoff for the New Strategy Implementation

In 2008, we changed our structure, started a Group-wide savings program and sold our non-core operations. Structural reorganization and profitability improvement projects will enable us to achieve the targets set for balance sheet structure, cash flow and growth.

Towards a Single, Unified Kemira

Our new business organization took effect at the beginning of October 2008. Our financial reporting changed over to the new structure from the beginning of 2009. This will prove beneficial to us in terms of the delivery of chemicals to our customers, in our development of services and tailored solutions and our pursuit of close customer relationships. The fundamental part of the structural change is the creation of global shared practices and business processes.

Our operations are divided into four geographic areas: North America, South America, Asia Pacific and Europe, Middle East and Africa.

Common Focus on Water

We have organized our water-technology oriented businesses into three segments: Paper, Water, and Oil & Mining, plus the operations split off from Kemira Specialty. The ChemSolutions business unit, formerly a part of Kemira Specialty, will continue to be developed as a separate entity within the Group, with special attention paid to ensuring profitability and cash flow maximization. In September 2008, we set up a joint venture with Rockwood Holdings, Inc. which includes Kemira Specialty's and Rockwood's titanium dioxide business. Rockwood owns 61 per cent and Kemira 39 per cent of the joint venture, which operates under the name, Sachtleben. Sodium percarbonate business, formerly part of Kemira Specialty, is now included in the Paper segment.

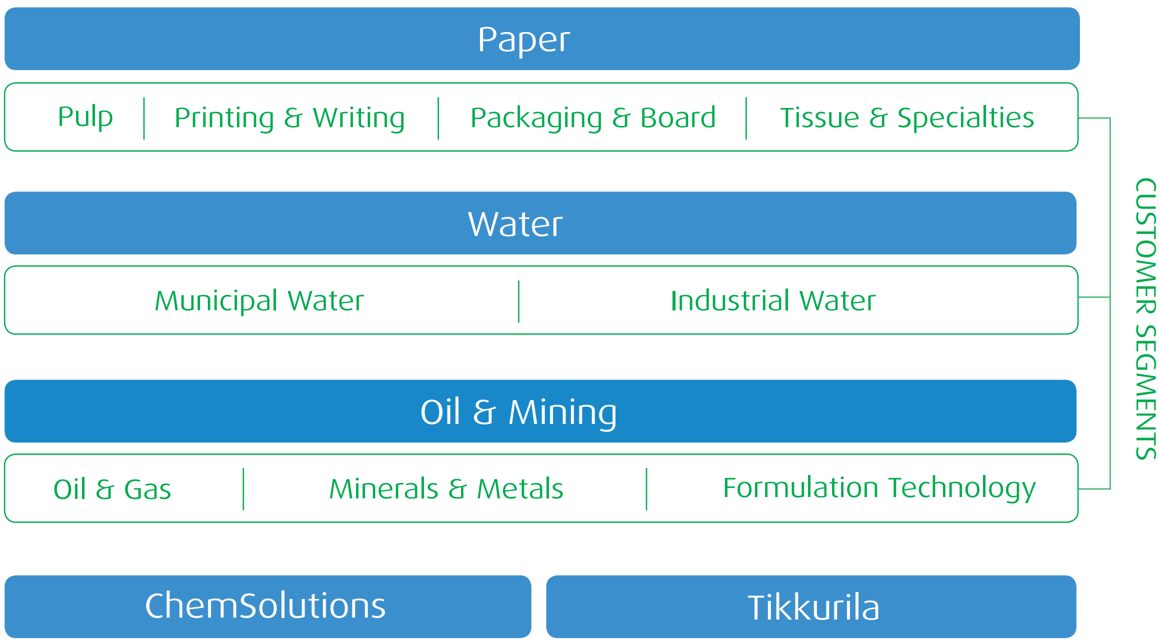
Our plan is to list Tikkurila on the NASDAQ OMX Helsinki Oy once market conditions permit. If realized, Tikkurila's potential spin-off and stock exchange listing would increase the transparency of our operations and make Kemira an even more focused company. The coatings business is primarily conducted in the consumer markets, which generates few synergies with the chemicals industry, focused on corporate customers.

Our business development measures also include exploring ownership alternatives for non-core operations, or operations unable to meet their profitability targets. We have sold our 50 per cent interest in the Japan-based joint venture Kemira-Ube Ltd, a hydrogen peroxide supplier, to the other owner, Ube Industries Ltd, and focused our operations solely on Kemira's wholly-owned company, Kemira Japan KK.

Focusing on Improving Our Profitability

The annual savings target of the Kemira Group-wide cost savings program is more than EUR 60 million in 2009–2010. In addition, Tikkurila aims to save EUR 25 million annually. Through business acquisitions, companies with very different

Kemira's Business Structure



backgrounds and corporate cultures have become part of Kemira. Our organization has been somewhat fragmented. The global harmonization of our operating models, to achieve consistency in our policies and operations, will therefore also generate savings and efficiency.

Projects associated with production and logistics network optimization are aimed at lowering fixed costs and improving operational efficiency. R&D activities will be organized globally into five centers instead of the current 17. This consolidation will help place the critical competence mass in one location, allowing us to run development projects more efficiently in order to produce new technologies, products and applications. Our strategic strength is to bring together all of our water treatment-related competencies and, on their basis, build a new foundation for Kemira's water know-how.

Growth from Water

Our new growth will mainly consist in burgeoning, organic growth. We will invest in measures to achieve growth in chemical water treatment markets in the municipal and industrial sectors as well as in the oil and mining industries. New growth will also be generated by exploiting Kemira's core competence, to develop new products and technologies. Growth markets in Asia, Latin America and Russia are vital to all of Kemira's core businesses. Through operational streamlining measures, we are seeking to expand into new markets at low cost and with small initial capital outlays.

The acquisition of the Brazilian water chemicals company Nheel Química Ltda in November 2008 will cement our position in the Brazilian water treatment market, which is the largest and fastest growing market in Latin America. Due to the acquisition, Kemira is Brazil's largest manufacturer of iron salts used in water treatment, and of aluminum salts.

PT Kemira Indonesia launched operations in January 2008. We are seeking to expand our business in Indonesia by setting up a new company that provides chemical solutions and products for our customers in South-East Asia.

The expansion of our formic acid facilities in Oulu, Finland, was completed in July 2008. The new investment will also enable Kemira's ChemSolutions business unit to meet growing demand for formic acid and the products processed from it, and to strengthen its market position.

Leading Expertise in Pulp and Paper Chemistry

We provide customers in the pulp and paper industry with products and product packages that help improve their profitability, raw material and energy efficiency, and promote sustainable development. We are one of the world's leading companies in this sector.

To further improve our customer service, we organized our Paper segment into four customer segments at the end of 2008: Pulp, Printing & Writing, Packaging & Board and Tissue & Specialties. Our product range covers fiber chemistry as well as chemicals for raw and waste water treatment. Water is a key element in the Paper segment, and water plays an important role in pulp making and bleaching. In paper making, water at best accounts for more than 99 per cent.

Strongest Growth in Developing Markets

We operate in a global pulp and paper chemicals market of more than EUR 23 billion, of which about EUR 13 billion is relevant to Kemira. North America and Europe are traditionally our major market areas. In line with our strategy, we are also seeking a stronger position in Asia, South America and Russia. Our objective in China is to outperform the projected five per cent average growth of the paper markets. We have operations in 28 countries, and are one of the leading companies in this sector worldwide.

Cost-efficient Growth

Following the current trend, our customers are shifting their production to new continents in pursuit of raw materials on the one hand and growing consumption on the other. This trend is affected by the availability of fiber, the cost of energy, and a higher general standard of living. We are fully on board in this structural change.

Our business operations in Uruguay, launched in 2007, have started extremely well. In Fray Bentos, we supply all pulp chemicals to Botnia from our chemical factories located in the same area. In July 2008, we launched deliveries also to Celulosa Argentina's Capitan Bermudez pulp mills in Argentina, covering the chemicals required for chlorine dioxide manufacture as well as hydrogen peroxide. In July, we also signed agreements to supply pulp and bleaching chemicals to the Mondi factories in Syktyvkar, Russia in 2008–2010.

Better Paper with a Managed Water Cycle

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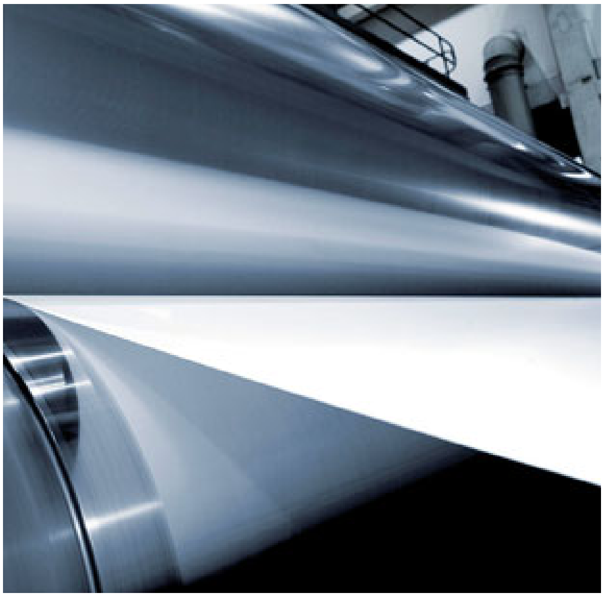

Paper-making is a highly complex process in which the paper machine acts as an ecosystem, among other things. The management of this ecosystem and the water cycles within the machine are key issues in an efficient and smooth paper-making process.

Water acts as the carrier of fibers and chemicals in the paper machine. It also provides a growth environment for unwanted microbes. Microbes produce biofilm or slime in the machine's water cycle and on metal surfaces, which interferes with the process and weakens paper quality.

Kemira's Fennosurf has produced excellent results in several paper mills in fighting microbial growth. For example, Stora Enso's Veitsiluoto mill switched over to Fennosurf in two of its machines, and the results were convincing: The surfaces of the paper machines were much cleaner and paper reel runnability was better.

Fennosurf is part of Kemira's FennoClean concept that allows accurate and cost-efficient targeting of the chemical effect. This made the quality of the end product, paper, much better, and the productivity of the paper machine higher.

Significant Added Value to the Customer

We are a supplier that offers the widest range of pulp and bleaching chemicals. This allows us to provide customers with integrated chemicals services, which involves making the necessary chemicals at the customer's facility. Our products and services enable customers to optimize their processes and to improve their productivity, thereby delivering genuine added value. More advanced process automation and chemicals solutions help significantly reduce our customers' energy, raw material and water consumption.

Besides providing a full service, it is important for us to have a strong presence in the countries in which our customers operate. Raw materials and requirements for making pulp and paper, as well as for paper, tissue and board, are very different in different parts of the world. That is why we have organized our operations in a way that allows us to better cater for the individual needs of our key customers globally.

Key Figures:

Customers:	Pulp and paper industry
Market Position:	#2 worldwide
Market Area:	Global
Markets:	Total market about EUR 23 billion (Kemira's estimate). The market relevant to Kemira's operations amounts to about EUR 13 billion
Products and Services:	Chemical solutions for the entire process from pulp manufacture to paper coating to water treatment
Revenue:	EUR 1,003 million
Operating Profit (excluding non-recurring items):	EUR 42 million

Excellence in Water Treatment

We are one of the world’s leading water treatment chemical companies. Our strengths include top-end process competence as well as a wide selection of inorganic coagulants and organic polymers, which we supply to our customers for municipal and industrial water treatment in 37 countries.

At the end of 2008, we reorganized the Water segment into the Municipal and Industrial Water customer segments. This reorganization will improve our ability to deliver even more customer-focused all-in chemical solutions, premium customer service and technical support. We offer products and services for municipal and industrial water treatment.

Global Market for Water Chemicals

We operate in a global water chemicals market of more than EUR 20 billion. The market relevant to Kemira today is of some EUR 4 billion. We are the world’s largest coagulant supplier and have decades of experience in water treatment; therefore we are well equipped to provide our customers with cutting-edge, cost-efficient water treatment solutions. We have production in 37 countries. This allows us to be a local partner, which is highly appreciated by our customers.

New Growth Areas Around the World

Factors affecting our growth include powerful economic growth in certain geographical areas, water treatment technology trends, and increasingly strict environmental regulations. The new solutions we have developed to meet our customers’ growing needs include a chlorine-free waste water disinfection method, an active sludge defoaming method, and an odor control solution.

Our global growth in developing markets was fuelled by an acquisition in Brazil made in 2008. In addition, we have continued to expand our business and to tap into the industrial potential of Russia, in particular. Similarly, in India we have been able to proceed with our plans to exploit the country’s industrial water treatment potential.

In addition to maintaining a strong position in the municipal water treatment sector, we are seeking significant growth in industrial water treatment in both the developed and developing markets. Our industrial water treatment customers appreciate the opportunity provided by our solutions, tried and tested over decades, to reduce water consumption and minimize environmental impacts.

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Odor Control Improves the Quality of Living Environment

Odor control and corrosion resistance in metal and concrete materials represent one of our focus areas when developing solutions to meet continuously growing demand. People are unwilling to accept polluting odors in their living environment which, in the worst case scenario, may prove detrimental to their health. The hydrogen sulfide that causes such smells also rusts pipes, which in turn generates increased maintenance and repair costs for municipalities.

In Wroclaw, one of Poland's largest cities, Kemira's solution has helped solve these odor and corrosion problems. Prior to the treatment, odor problems were common and affected the quality of the living environment. Rusty water pipes were also becoming a serious problem. In 2006, Kemira performed its first technical tests in the sewer network, which resulted in the customer selecting Kemira as its partner.

With the right chemicals, dosage and advanced monitoring system, the city's odor problems have been solved. Rusting has also been eliminated, generating considerable repair cost savings for the city. The chemical mixture used, based on two ferrous chemicals, comes directly from Kemira's own water chemical production facility in Wroclaw. Kemira has been in the water treatment business in Poland for 17 years.

Customer Satisfaction for Efficiency and Reliability

Plants' operational reliability is a key consideration for our customers, which is why we have organized our business into the customer specific segments. This allows us to better identify our customers' water treatment needs and identify solutions that ensure operational reliability and flexibility.

To help us minimize our costs, we take measures to enhance the efficiency of our production network and logistics and to exploit our competence in various sectors. Furthermore, we use raw materials processed from industrial byproducts. For instance, we can use ferrosulphate, a byproduct of titanium dioxide, and the iron recovered from pickling acid used in the steel industry, as a raw material for water treatment chemicals. We also use the metal from the acids and precipitate generated by the aluminum industry to make our aluminum-based water treatment chemicals.

Key Figures:	
Customers:	Municipal drinking and waste water plants, industrial waste and process water plants
Market Position:	#1 in coagulants and #5 in flocculants worldwide
Market Area:	Global
Markets:	Global developing total market around EUR 20 billion (Kemira's estimate). The market relevant to Kemira's operations totals about EUR 4 billion
Products and Services:	Water treatment and sludge treatment solutions
Revenue:	EUR 584 million
Operating Profit (excluding non-recurring items):	EUR 25 million

Oil & Mining

Innovative Solutions for the Oil & Mining Industries

We deliver innovative separation and process solutions for the oil and mining industries. As in Kemira's other segments, water is a key element in these industries as well. By utilizing our competence, our customers can improve their cost-efficiency and productivity.

For several years, we have been delivering a growing number of water treatment solutions to the oil and mining industries. At the end of 2008, we transformed our Oil & Mining efforts into a segment with reporting and profit and loss responsibility. This unit pursues profitable growth and utilizes the same product expertise and chemicals as our Paper and Water segments.

Ample Market Growth Opportunities

Oil & Mining is more than EUR 5 billion relevant chemicals market. We have a strong position in North America, while South America and Russia represent key growth areas.

Solutions for Complex Industry Needs

We aim to be a chemical technology supplier that helps reduce the overall water treatment costs incurred by its customers. Water is a key medium in the separation and processing of oil and minerals. With the exploitation of oil resources becoming increasingly difficult, our technologies offer solutions to meet our customers' most complex demands.

More attention must be paid to water recycling and reuse in the oil and mining industries. The technology we use is based on Kemira's core competence – water treatment. Our expertise delivers value across the supply chain and helps customers make more efficient use of scarce water and energy resources.

Our product range for the oil and mining industries includes acrylamides, water soluble polymers, biocides, dispersants and anti-scalant agents, foaming and defoaming agents and a number of customized products. A strong technology platform, skilled application specialists, cutting-edge manufacturing processes and an extensive supply chain management generate value for our customers.

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More Efficiency, Less Environmental Impact

Oil and gas recovery is increasingly difficult and costly because of the location and scarcity of reserves. Environmental regulations are also raising the costs of oil and gas recovery, making waste and water separation from oil or gas even more valuable.

Water is a key element used as a medium to reach, produce and refine oil and gas. We have customized several innovative product packages for the industry, improving our customers' drilling and energy efficiency, reducing the amount of resulting waste, and enhancing water recycling and oil and gas production.

Our products allow waste and oil to be separated from water, making the water reusable. We also help our customers prevent formation and equipment damage associated with mineral deposition and microbial corrosion.

We work closely with oil and gas service companies to fully understand their needs. With our innovative product selection, we are able to solve our customers' highly complex problems and deliver the solutions we have developed very quickly. Our strategy in the Oil & Gas customer segment is based on three simple tenets: Being close, innovative and fast.

Close, Innovative and Fast

A close partnership with our customers is the foundation of our operations. This closeness helps us understand their processes and enables us to anticipate their needs, which in turn allows us to quickly develop innovative solutions tailored to meet their specific challenges. We have operations worldwide, and we help our customers solve problems in constantly changing markets.

Our operations comprise three customer segments: Oil & Gas, Minerals & Metals, and Formulation Technology. To the Oil & Gas customer segment we offer a full range of products for oil drilling, cementing, stimulation and production applications. In the Minerals & Metals customer segment, our focus is on producing additives required for mineral and metal separation and processing. Meanwhile, the Formulation Technology segment serves our global partners in the acrylamide, paper and coatings businesses that increase the value of products used in selected industrial processes.

Key Figures:	
Customers:	Oil and mining industries
Market Position:	#1 in coagulants and number #3 in flocculants worldwide
Market Area:	Global
Markets:	Total market around EUR 12 billion (Kemira's estimate). The market relevant to Kemira's operations amounts to about EUR 5 billion
Products and Services:	Products for the oil and mining industries and customized manufacture
Revenue:	EUR 275 million
Operating Profit (excluding non-recurring items):	EUR 8 million

Tikkurila is Known for Its Customer Intimacy

A long and proven track record, local production and an effective distribution network provide a solid foundation for our operations. Our goal is to be the market leader in decorative paints and in selected wood and metal coatings segments in chosen markets, and to pursue profitable growth.

Our operations are divided into two business areas. Tikkurila Deco sells decorative paints to consumers and professionals in more than 5,000 retail sales outlets in more than 40 countries, while Tikkurila Industrial Coatings provides coating solutions to its customers in the wood and metal industries, both directly and through a Temaspeed network that covers nearly 30 countries.

As part of its strategy, Kemira has announced its plan to separate Tikkurila and list it on the NASDAQ OMX Helsinki Oy once market conditions permit.

Strong Position in Northern and Eastern Europe

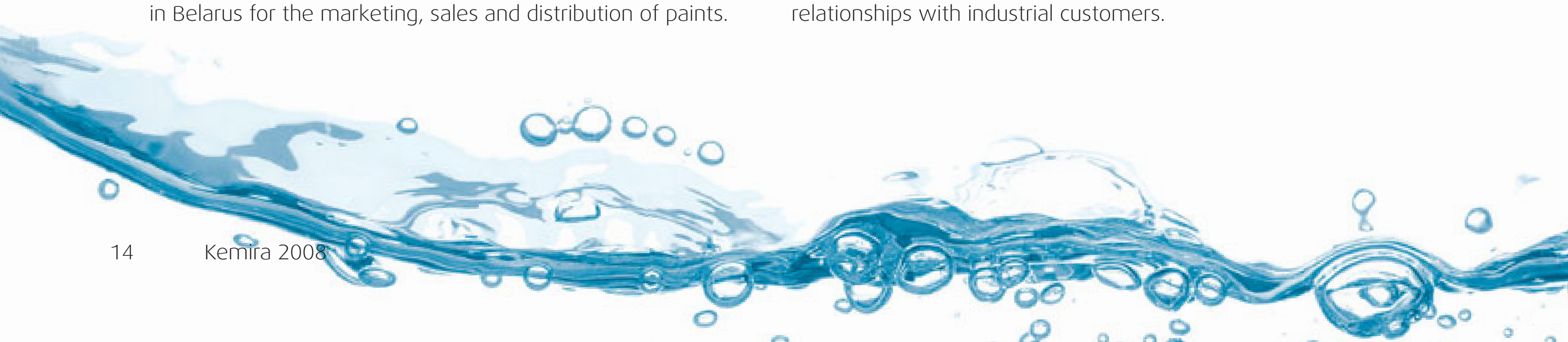
We are the leading regional paints and coatings company in Finland, Sweden and Russia, and also have a strong and established market position in several Eastern European countries and CIS countries. Our strategy has been based on a strong market share in Finland, Sweden and Russia, as well as in Russia's neighbouring countries.

In July 2008, the sales company Tikkurila JUB Romania began operating, and in August we set up a sales company in Belarus for the marketing, sales and distribution of paints. In December 2008, we agreed to acquire a Flagship Store for the Alcro brand in Stockholm and acquired the sales company Finncolor Slovakia s.r.o.. During the beginning of 2009, a new logistics and service center is expected to be completed near Moscow.

Strategy Founded on Strong Brands

Understanding the local culture, legislation, technology and climate is vital for successful business operations. Our key objective is to be the market leader in decorative paints and in selected wood and metal coatings segments in chosen markets, and to pursue continued and profitable growth.

Most of our brands represent the best known brands in their respective market areas. Our main brands include Tikkurila, Tikkurila Coatings, Alcro, Beckers, Vivacolor and Teks. Tikkurila Deco's success is based on strong brands and a good service concept that emphasizes proximity to customers, a large product selection and high-quality products. In Tikkurila Industrial Coatings' business model, a local presence and customer service have helped build long-term relationships with industrial customers.



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Water-borne Products Popular in Sweden

Paint users are becoming increasingly aware of environmental issues. Tikkurila is happy to encourage its customers to select eco-friendly products. Its Swedish subsidiary Alcro-Beckers AB has decided to limit 99% of its paint selection exclusively to water-borne products by the end of 2010.

"This decision has attracted an enormous amount of positive attention, and I am constantly asked to explain the harmful effects of solvents to the general public. Our production currently comprises 90% water-borne products compared with a lower figure for other manufacturers," says Managing Director Niklas Frisk.

"As a market leader, we want to take responsibility for the environment, and our retailers feel the same. We have also put a lot of pressure on our product development; we want to introduce around 20 new water-borne product lines to the markets for next season."

Alcro-Beckers already boasts a wide range of paints bearing an eco-label. The environmental marking guides consumers and professionals in buying safe products that also perform well. This is even more important in big box shopping centers, where customers have to make the choices themselves.

Growing Demand for Premium Products

Rising standards of living and a booming construction business have increased the demand for premium products in Eastern Europe, with demand increasingly focusing on medium-price and premium products instead of low price products. Meanwhile, in Northern and Western Europe, the increase in consumption is moderate.

The competitive situation in the decorative paints sector is relatively stable, and major changes in our market share have taken place mainly due to acquisitions in Sweden and Russia, for example. Competition is highly fragmented in industrial coatings due to the diversity of market areas and customer segments.

The European Union's REACH regulation may reduce the number of paint manufacturers in Europe, and diminish paint and raw material imports into the EU. Meanwhile, Directives restricting the use of solvents are expected to encourage paint users to switch over to water-borne and other safer products.

Key Figures:	
Customers:	Consumers, professional painters, industrial customers
Market Position:	#1 in decorative paints in Finland, Sweden and Russia
Market Area:	Northern and Eastern Europe, eastern parts of Central Europe, Southeast Europe and the CIS countries
Products and Services:	Decorative paints, wood and metal coatings, and advisory services
Revenue:	EUR 648 million
Operating Profit (excluding non-recurring items):	EUR 59 million

Faster Launch to Market for Innovations

The goal of our R&D operations is to ensure and strengthen profitable business growth possibilities. Our decision to centralize our R&D operations into five centers will help us put our skills and competences to more effective use in implementing Kemira's new strategy.

In 2008, Kemira's R&D units employed 520 (730) professionals. We spent EUR 71.1 million (65.9) on R&D, which represents approximately 3% of our revenue. Structural reorganization and innovation enhancement represented the key projects during the year.

In June 2008, we signed a EUR 100 million research and development loan agreement with the European Investment Bank (EIB) for a period of 12 years. The loan will be used to support the research, development and innovation activities related to our core business in 2008–2011.

Closer Creative Interaction

The structural reorganization of our R&D operations began in 2008. The objective of operational centralization and process and management harmonization is to create networks in which we can make full use of the creative interaction between people working in different segments.

By summer 2009, our R&D activities will be organized globally into four centers instead of the current 17. In the future, they will be responsible for globally specified competence areas and locally for supporting technical customer services and production in North America, North Europe, continental Europe and Asia. The fifth center will be set up in South America at the beginning of 2010. Other centers are located in Espoo, Finland and in Leverkusen, Germany. The Asian R&D center in Shanghai was inaugurated in April 2008.

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Chemistry Inventions Boost Growth

To enhance our innovation operations, we took the step of announcing an innovation contest for the year 2007. As a result, the number of reported inventions almost quadrupled. Our second objective was to achieve faster commercialization of inventions and promote seamless co-operation across the organization.

In June 2008, we announced the winners of the Kemira Innovation Contest. Two inventions stood out from the rest, utilizing our special know-how and providing significant business growth opportunities. The first of these was a new paper coating and filler agent manufacturing technology that helps reduce the customers' costs and energy consumption. It enables final product processing, offers more extensive application potential and improves product quality. The second major invention was a powerful, low-emission and energy-saving Tikkurila UVITEC® 2D method suited for applications such as hardwood floor and PVC floor treatment.

Both inventions provide strong support for the achievement of our goal: a powerful innovation culture that combines chemistry and process knowledge. Both inventions are founded on the principles of sustainable development, and offer customers considerable benefits through reduced energy consumption and environmental stress.

By July 2009, our North American activities will be housed in the Atlanta R&D center at the Georgia Tech campus. As specified in the business strategy, the new R&D network will focus on enhancing the development and commercialization of new innovative technologies for Kemira's customers locally and globally.

Water Treatment the Common Denominator

Water treatment is what links all of Kemira's business segments together with respect to increasingly demanding environmental regulations and, in particular, the more efficient use of water. Water is a carrier agent in several industrial processes (pulp and paper, mining, oil industry etc.). We are strengthening our water-related competence and product selection in order to provide even more comprehensive solutions for both internal water cycle management and waste water treatment. Our product development projects also focus on partial solutions such as waste water disinfection, odor control, and water friction reducing polymers in oil recovery. At the same time, we are also developing waste water sludge processing as well as methods of enhancing biogas generation.

Added Value From End Use Competence

We have improved our product selection to better address our customers' needs. All segments are now able to make extensive use of our products such as separation chemicals, microbiology control and anti-coagulation chemicals to ensure Kemira's growth. We have also employed nanotechnology in R&D, such as in the strength-improving chemicals and pigments that improve optical qualities developed for the paper industry. There are a number of other application areas in the oil, mining, pulp and paper industries, for example. Our objective is to work together with our customers to enhance their production processes and improve the quality of final products.

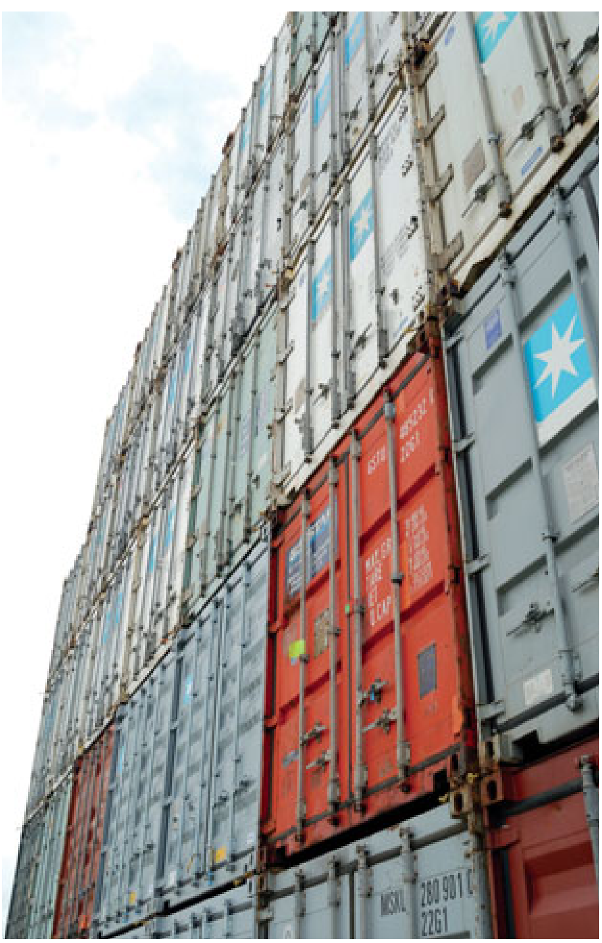
Sustainable Development from Chemistry

We have developed several solutions that help reduce the load on the environment. With a number of our products, we can demonstrate how chemistry can help promote waste recovery in various process stages and help recycle waste into raw material or fuel. One excellent example of this is calcium sulfate used in paper making. This calcium sulfate is very cost-efficiently processed from waste into a raw material that can be used as paper filler or for coating.

Similarly, fiber recycling requires cleaning and bleaching before reuse. With Kemira's Modified Inorganic Particle (MIP) technology, recycled fiber can be more efficiently worked into a raw material.

Supply Chain Management Improves Profitability

The objective of our Supply Chain Management (SCM) unit is to increase Kemira's purchasing power and improve its supply chains' quality, safety and cost efficiency. This provides added value to both the customer and Kemira.



Kemira's strategic decision to focus on its core business has further stressed the significance of supply chain management as a competitive advantage. Comprehensive supply chain management from planning and production to customer deliveries enables cost savings and better customer service. Supply Chain Management is responsible for the sourcing and procurement, polymer production and supply and logistics processes of all segments.

Harmonized Sourcing Helps to Keep Costs in Check

The goal of our SCM is to improve profitability and increase customer satisfaction. To reach this goal, we will reduce the number of suppliers and harmonize our sourcing and supply chain management processes and systematically control them with the SAP system introduced at the beginning of 2008.

Our Sourcing and Procurement teams can guarantee us professional sourcing. They guarantee that Kemira's sourcing complies with the Kemira Code of Conduct and current legislation, and that our subcontractors comply with these same principles. The Sourcing team plans all purchasing activities and ensures that best suppliers and adequate capacity are available. The team guarantees an uninterrupted materials flow as well. In turn, the Procurement team focuses on daily materials flows, paying attention to manufacturing requirements and supplier co-operation.

In 2008, Kemira sourced products and services from external companies with approx. EUR 2,000 million, of which raw material purchases accounted for about 50%.

More Power Through Joint Efforts

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For Kemira, 2008 marked the beginning of a strategic sourcing era. This change was initiated in 2007 when we launched a strategic sourcing and supplier management program, KemSTAR. This two-year program covered the entire Group with the objective to introduce a new operating method featuring a fact-based, analytical and overall cost-conscious sourcing process.

In KemSTAR, external costs were divided into categories for which cross-functional and cross-segment teams jointly created sourcing strategies. The goal was to improve operational efficiency and reduce costs. To ensure maximum efficiency and full utilization of the new operating method, team members participated in a number of training sessions during KemSTAR.

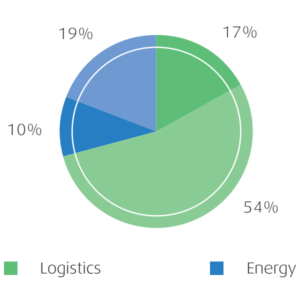
KemSTAR is a prime example of how co-operation between different functions and segments create visibility across the organization. This method supports our work in the new Kemira structure, and enables the whole SCM team to work efficiently.

Deliveries to Match Customer Needs

Our Logistics team pays special attention to ensuring that our customer deliveries are fast, just on time, and safe. Transportation and stocking are planned together with our customers, which enhances efficiency and increases customer satisfaction. Our Logistics team is responsible for the transportation of finished products to customers and for the customer service centers and stocks.

During 2008, we decided to carry out certain warehousing and production network analyses and optimization, which are to be completed between 2009 and 2010. Projects associated with production and logistics network optimization aim to lower fixed costs and improve operational efficiency.

Kemira Sourcing Spend 2008



Top 5 Raw Materials by Segment in 2008

Paper	Water	Tikkurila
Electricity	Acrylonitrile	Titanium Dioxide
Sulphur Products	Aluminium Hydrate	Acrylate Dispersions
Sodium Chloride	Cationic Monomer	Medium Oil Alkyds
Flavonic Acid	Sulphur Products	Vinyl Acetate
Paper Dyes	Scrap Iron	Styrene Acrylates

Responsibility is Part of Good Entrepreneurship

To us, corporate responsibility means taking economic, social and environmental considerations into account in all our activities. A company with sound management and corporate governance also has a positive impact on the societies in which it operates.

In Kemira, corporate responsibility means taking economic, social and environmental considerations into account in all our activities. We are committed to promoting sustainable development and conducting business ethically. We operate in compliance with the applicable laws, and expect our partners to do the same.

Corporate Responsibility Governed by Kemira's Code of Conduct

Our operations are governed by the Kemira Code of Conduct, which is approved by the Board of Directors and is in line with the OECD Guidelines for Multinational Enterprises. Every employee is required to adhere to this Code of Conduct, in accordance to the local, national or international laws or other regulations. Company management is responsible for supervising compliance with the Code of Conduct and promoting it by setting an example to others. The Group Legal Affairs unit offers advice on how to apply the Kemira Code of Conduct.

Corporate responsibility entails participation in various voluntary programs, such as the chemical industry's Responsible Care initiative and the Energy Efficiency Agreement of the Confederation of Finnish Industries EK.

Kemira Code of Conduct

Economic Responsibility

Consistent accounting policies, reliability, veracity

Responsibility for the protection of company assets

Prohibition of the use and disclosure of any insider information

Compliance with applicable competition laws, ethical competition

Social Responsibility

Equal treatment and non-discrimination

Confidentiality

Fair partnership and respect for multi-culturalism

Avoidance of personal conflicts of interest and personal benefits

Prohibition of offering and accepting bribes

Transaction with reliable partners

Environmental Responsibility

Prevention and minimization of harmful effects

Efficient use of natural resources

Development of environmentally preferable products and services

Development of the environmental business

Being involved in the chemicals industry, we place a special emphasis on product safety. We take determined measures to identify the risks associated with chemicals and to promote their safe use. In 2006, we established the Kemira REACH Competence Center in Espoo, Finland, for the task of implementing the European Union's REACH Regulation on chemicals in Kemira.

Water Treatment – Environmentally Responsible Business

Corporate responsibility supports profitability, promotes competitiveness, and has a positive impact on the societies in which a company operates. Water treatment and waste water processing – Kemira's strong competence areas – provide a fitting example. With population growth and industrialization, the demand for clean water is increasing while its supply is becoming increasingly challenging. These water shortage related challenges are significant from a global perspective. Our approach to addressing this issue is to deliver cost-efficient water treatment and recycling solutions to our customers with the smallest possible environmental load. Water treatment is a growing business which also secures the prerequisites of life.

Kemira Code of Conduct Addresses

- Financial Reporting
- Environment, Health and Safety (EHS)
- Business Partners
- Fair Competition
- Conflicts of Interest and Bribery
- Support for Human Rights
- Insider Information and Investor Relations
- Company Assets
- Confidentiality and Privacy
- Reporting Procedures

Success is Born of Economic Responsibility

To Kemira, economic responsibility means that our business is built on a sustainable foundation, that we are a reliable partner and communicate openly about our operations. Our key objectives are to help our customers improve their profitability, to increase shareholder value and to provide an inspiring working environment to our personnel.

Personnel represent a key stakeholder group when it comes to the company's success. We want to offer our 9,405 employees a working environment that provides opportunities for professional growth. Although the structural change implemented in 2008 offered a number of employees new job opportunities within Kemira, we were also forced to cut personnel numbers. We employed local best practices in supporting those who lost their jobs. For those who continued working in Kemira, we organized leadership and change training.

Higher Profitability

Our key financial objectives include improving profitability, cash flows and the balance sheet, and achieving business growth. Measures to strengthen our balance sheet include business reorganization and the divestment of non-core businesses. We have set our gearing target at 40–80 per cent. To support our profitability improvement objectives, we launched a cost savings program in 2008 with an annual savings target of more than EUR 60 million for 2009–2010. In addition, Tikkurila aims to save EUR 25 million annually. We seek to create new growth by expanding our business cost-efficiently and with small initial capital outlays.

Better Profitability for Customers

The only way we can ensure good financial performance is to deliver competence that truly benefits our customers. Consequently, both our strategy and structural reorganization work revolved around customers. When devising the new strategy, we gathered a wealth of information on our customers' needs. The current operating model allows us to serve our customers with greater efficiency and flexibility. We can deliver added value to customers by enabling them to make more efficient use of scarce raw materials (water, energy, fibers), and by enhancing their process efficiency and waste water recycling.

Continuous Shareholder Value Improvement

Kemira's share is listed on NASDAQ OMX Helsinki Oy, and the number of shareholders at the end of 2008 was 21,333. Kemira's share price reached a high of EUR 14.77 and a low of EUR 5.42 during the year, averaging EUR 8.70 in 2008. The company's market capitalization excluding treasury shares was EUR 719.9 billion at the year-end. The Board of Directors will propose to the Annual General Meeting that Kemira distribute a total of EUR 30.3 million in dividends for 2008, or EUR 0.25 per share. Our plan is to list Tikkurila on the NASDAQ OMX Helsinki Oy once market conditions permit.

Supporting Art and Science

Our major sponsorships in 2008 included the Millennium Technology Prize and the Helsinki Festival. The Millennium Prize is awarded every two years to celebrate the inventors of technologies that improve the quality of life. Over the last two years, we have been one of the main sponsors of the Helsinki Festival. We also cooperate with universities in support of chemistry studies worldwide, and promote chemistry competence in our key market areas.

Sustainable Solutions for Water Shortages

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Waste water treatment is an issue subject to growing concern and attention in Latin America. Developments such as stricter environmental legislation reflect these concerns. In developing countries, there is a shortage of high-quality raw water and consequently a pressing need to improve water treatment systems. Alongside growing industrialization and population growth, demand for clean water is rising.

With increased demand, water is in shorter supply. More effective water purification and recycling is an environmentally sustainable solution, and Kemira has the skills and competence required to deliver this solution. The solutions provided by Kemira enable its customers to use water more efficiently and thereby to minimize energy consumption and environmental impacts.

Kemira has a strong presence in Latin America, where demand for water treatment solutions is high. In Mexico, Kemira is the leading water treatment chemicals producer. Furthermore, it has seven production facilities located in Brazil. The acquisition of Nheel Quimica, finalized in November 2008, reinforced our production and cemented our position in Latin America's largest and fastest-growing water treatment markets in Brazil. Water treatment requires sustainable solutions, and Kemira wants to continue to be the supplier of these solutions in the future.

Kemira's Economic Impact

EUR million	2008	2007
Customers Income from customers on the basis of products and services sold, and financial income	**2,866.7**	2,856.2
Suppliers Payments to suppliers of raw materials, goods and services	**−2,208.1**	−2,138.2
Employees Wages and salaries and social expenses	**−469.2**	−474.2
Investors Interest paid and financial expenses, dividends	**−139.5**	−97.0
Taxes	**−23.9**	−35.6
Capital expenditure on maintenance and improvement	**−94.3**	−154.3
Defect / Surplus	**−68.3**	−43.1
Income from divesting assets	**254.3**	−0.2
Capital expenditure on expansion and acquisitions	**−247.5**	−166.7
Repayment of capital Repayment of loans (−) and new loans (+)	**128.2**	186.2
Capital injections Additional equity from owners	**0.0**	0.2
Net change in cash	**66.7**	−23.6

People Turn Strategy into a Reality

For we who work at Kemira, the new strategy and structure mean pulling together, sharing knowledge and information, and being able to prioritize. Our human resources efforts focus on clearly defined roles and objectives, and improving our co-operation skills.

The year 2008 saw many changes in our personnel. Our strategy and organization overhaul offered a number of people new professional opportunities. Regrettably, as part of our cost savings program, we were forced to make personnel cuts, primarily in Finland, Sweden, the US and Germany. In accordance with local good practices, measures were taken to support those who lost their jobs. In the future, our biggest challenge will be to reshape the organization and change our ways of working to fit the new strategy.

Aiming at Shared Objectives and Ways of Working

The revised organizational structure and new strategy require a new business culture, and it is people that transform a strategy into reality. Our objective is to foster a culture in which co-operation transcends organizational and country boundaries. To succeed in this mission, we need goals that are perceived as common, combined with consistent policies and processes and the co-operation and communication skills required in a multicultural business environment.

To meet these objectives and to increase operational efficiency, we set clearly defined targets for key duties as well as relevant indicators at the end of 2008. Target-setting must be supported by clearly defined roles. This is particularly important in managerial work. In the future, therefore, more attention will be paid in performance reviews to clarifying roles. It is vital that everyone understands how their role affects Kemira's ability to achieve its goals, and that

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Successful Change Through Good Argumentation and Communication

When a strategy and structure are fully revamped, successful change requires that people find the alteration well-justified and are highly motivated to achieve it. It is extremely important that senior executives and supervisors can clearly express the objectives of the new strategy and what it means to different people. Equally important is the ability to listen and talk to personnel.

In the late fall 2008, Kemira's CEO, Business Leaders, and Region and HR Heads visited the biggest business locations to shed light on the new strategy and the related changes in business and operating policies. During these events, audiences had the opportunity to talk to the management and ask questions. Most conversations were about current issues at the location in question, and the effects of the changes.

These events were open to everyone and they were actively attended by personnel representatives. Events were organized in Oulu, Leverkusen, Shanghai, Helsingborg, Vaasa, Sao Paolo, Atlanta, Barcelona, Brandford and Äetsä.

they feel that Kemira offers them opportunities for professional growth.

In 2008, we continued our managerial work development measures. The PEAK management development program was followed by the PEAK UP program, designed to promote an interactive culture based on dialogue. Alongside this structural change, the ability to strengthen supervisors' and personnel's change management and transform preparedness skills became vital, prompting us to arrange coaching sessions designed to address these issues.

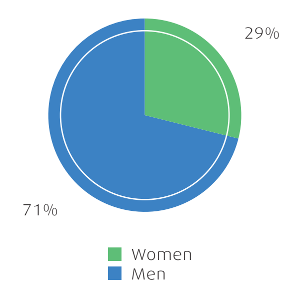
Supporting Participation

Promoting a business culture of participation is one of our key principles. This principle was put into practice in spring 2008 when almost 200 Kemira personnel participated in the planning of the new strategy.

The annual Group-wide personnel survey provides an important channel for personnel participation and serves as a valuable management tool. Since work to build a new organization was in progress in 2008, we decided to postpone the survey until the beginning of 2009. In this way we can use the results of the survey to improve our strategy communications and change management.

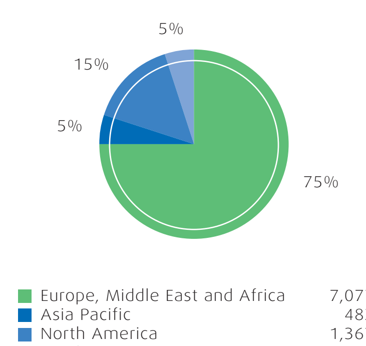
Our European co-operation body for personnel and Kemira Management, the Kemira European Forum, met twice during the year to address issues related to change and business economy.

Personnel by Gender, Year-end*



* Permanent personnel

Personnel by Region, Year-end



Human Resources

Occupational Safety Development Work Produced Results

Ensuring and developing occupational safety in all circumstances forms a crucial part of corporate actions. We are continuously working to improve occupational safety systems, attitudes and working methods. The LTA (Lost Time Accident) incident rate, an indicator of accidents that occurred at our production sites resulting in at least one-day sick leave, was 4.4 in 2008 and 6.5 a year earlier. The positive development from the previous year shows that our work to shape attitudes and improve the safety culture has produced results. In times of major change, mental wellbeing and safety protection measures are of key importance. To promote employee health and safety, we arranged various support measures for personnel in line with local practices and cultures.

We understand employee wellbeing in a broader sense, as including the individual and his/her skills and competences, the content of work and the work environment, and leadership and the work community. We foster wellbeing at every stage of an individual's career. In 2008, key priority areas included offering support to those affected by change and those who lost their jobs, and identifying ways of moving forward.

Our Success Relies on Personnel

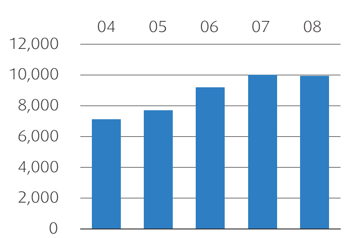
At the end of 2008, Kemira employed a total of 9,405 people. Our personnel include chemists, engineers, maintenance personnel, laboratory technicians, process workers, communications specialists, lawyers, and a number of others. We offer a versatile and international work environment where everyone is provided with the opportunity for professional growth. To ensure Kemira's ability to continuously reinvent itself and remain at the cutting edge, it is vital that we continue to find builders of the future; skilled people eager to create something new together with other leading specialists.

Our success relies on skilled, active and involved personnel. We believe that an encouraging and goal-oriented atmosphere produces results, and we are prepared to reward people for good results. Kemira's reward system is based on the principles of internal fairness, external competitiveness and performance. Consistent job evaluation helps ensure compliance with these principles across Kemira. Evaluations were performed at the end of 2008, to ensure compliance with the responsibilities defined for the new organization.

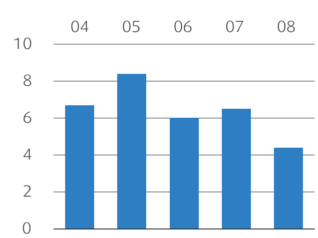
Unified Kemira Stands for

- Close Cooperation Between Organizations
- Transparency of Business Information
- Quick Decision-making in a Rapidly Changing Environment
- Learning from Best Practices
- Cost-efficiency
- Co-operation and Pulling Together
- Openness and Knowledge and Information Sharing
- Efficiency and the Ability to Prioritize
- Confidence in Each Person Taking Charge of His/Her Role and Areas of Responsibility

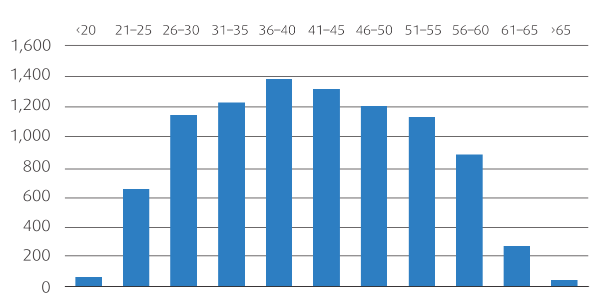
Average Personnel



Lost Time Incidents Per Million Working Hours



Age Breakdown, Year-end*



* Permanent personnel

Environmental Impacts Decreased

We continuously strive to improve our environmental performance, for instance by reducing our waste water discharges. At the same time, our products help us grow our purifying “water footprint”.

The environment is a significant growth engine for our business. We have created an extensive product selection and competence base in water management. Furthermore, we help our customers fulfill their environmental requirements, while reducing the impacts of their operations on the environment. Our products and services enable more efficient use of water, energy and fiber, and smaller waste generation.

A Shrinking Environmental Footprint

Our own environmental footprint has shrunk by nearly 75 per cent over the last 11 years. In 2008, our emissions and waste decreased significantly from the previous year. This change can be largely attributed to the fact that our pigment business was transferred to a joint venture in August 2008. From the environmental perspective, titanium dioxide manufacture, even when perfectly managed, involves large material flows that have represented a significant portion of the total quantities reported by the Group.

In 2008, environmental investments decreased by 76% from the previous year to EUR 7.2 million, and no major projects are currently underway. Meanwhile, environmental operating costs fell by 23% from the previous year to EUR 30 million (EUR 39.1 million).

Improving Our Energy Efficiency

The most important part of our carbon footprint, in other words the direct greenhouse emissions from our operations, have decreased by approximately 95% since year 2000. This

Water Footprint Tells Who You Are

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While the carbon footprint is a recognized environmental concept, the concept of a water footprint that indicates how much a product, person or company pollutes or consumes water is less well known. When we look at the footprints companies leave on the environment, a wider perspective is necessary; a water or carbon footprint can also be positive. Products may be environmentally favorable – some tie up coal and others clean water.

The simplified graph on page 30 illustrates Kemira's water footprint. It indicates how our products help purify increasingly large amounts of water for our customers globally. At the same time, we have dramatically reduced the waste water discharges from our production. We have been able to do this by increasing water recycling and purification, and through corporate acquisitions and divestments. The result is substantially smaller waste water load and more purified water; in other words, a purifying water footprint.

is primarily due to business divestments and power production outsourcing in recent years. We have not prepared a global assessment of indirect emissions, but the electricity we use is primarily nuclear or hydropower based. To a growing extent, the energy produced by our key energy partners is based on renewable fuels, recycled fuels and non-coal process energy.

We are also making efforts to increase our self-sufficiency in terms of electricity, and to further improve our energy efficiency. We are a signatory of the Energy Efficiency Agreement of the Confederation of Finnish Industries EK, which is a voluntary energy efficiency initiative. In the future, energy efficiency improvement will be included in our global management systems. In addition, we will make every effort to improve our transport logistics and energy consumption. The agreement, implemented by the Finnish Ministry of Employment and the Economy, and the Confederation of Finnish Industries, will be in effect until the end of 2016.

Raising the Level of Safety

Through determined safety management efforts, we have been able to reduce the frequency of occupational incidents. In particular, our coatings business has been able to improve its performance. In 2008, there were 4.4 LTA 1 accidents per one million working hours (6.5 in 2007). No major industrial accidents or fatalities occurred. We will take further measures to improve occupational safety, and next year special attention will be paid to process safety.

Kemira's Products: Our Purifying Water Footprint

With chemicals, we can dramatically reduce discharges into water and emissions into the atmosphere, improve recycling and remediate contaminated environments. Efficient use of water, water treatment and recycling help prevent the pollution of water systems and provide one solution to water shortages.

Our environmental business, which consists primarily of water management, grew by 2% in 2008, representing some 41% of the Group's revenue. Its primary growth and competence area is municipal and industrial water treatment, but there are applications in all our business segments. Growth was both organic and the result of relatively small acquisitions, for instance in Brazil.

To assess the development of Kemira's water footprint, we can examine the trend of water volumes treated with our products and the waste water discharges from our production plants (p. 30). From this perspective, it's fair to say we clean much more water than we pollute. This assessment does not cover the entire life cycle of products, such as raw material manufacture and transport by other companies. Nevertheless, the trend is clearly very positive.

Implementation of REACH in Full Swing

In 2008, Kemira made almost 3,000 pre-registrations required by REACH, the EC Regulation on chemicals. These involved substances in Kemira's products and raw materials imported into the EU area, ones produced there, and those most significant to Kemira. Preparations for the first phase

Environmental Responsibility

of registration, due by 1 December 2010, are in full swing. Alongside other chemicals companies, Kemira is involved in developing procedures required for registration. The establishment of information exchange forums required by REACH is underway, and the number of final registrants, and registration costs, will become clear during the process.

REACH will result in a significant increase in the need for information exchange within the supply chain as, in addition to former product-specific details, information on substances, the quantities thereof and information concerning their use and exposure, alongside administrative data related to registration, must be exchanged. This requires major IT system reforms within Kemira, too.

In addition to REACH, we will continue investing in product safety in various ways, e.g. by developing product management and product safety assessment procedures, and also by taking product safety into account even more efficiently in product development projects.

Harmonized Systems and Standards

Kemira has signed a global agreement with Lloyds LRQA regarding the certification of EHSQ management systems. This agreement covers all Kemira's production sites. The objective is to have comprehensive certification as well as consistent operating and reporting practices in place within the next few years.

Kemira's EHSQ organization was revised in accordance with the Group's structural change during 2008. In the future, the work of specialists will be based on a regional organization, designated responsible persons and teams. The Group's EHSQ policy was also revised in accordance with the new, consistent structure and operating policies, which place a special emphasis on the continuing improvement of safety on our plants.

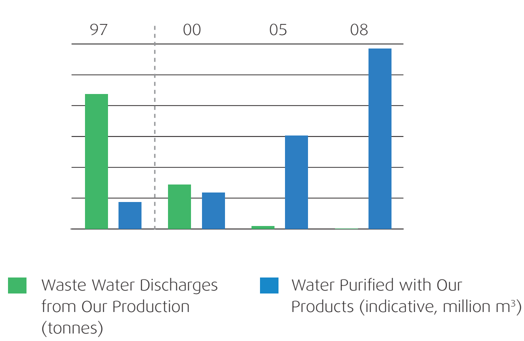
Environmental Report to Be Published in April 2009

The statistical information in Kemira's environmental report is compiled from all industrial sites worldwide under the same principles as those used for preparing financial statements. We report on emissions and environmental costs and responsibilities in compliance with the most recent international guidelines. We prepare our reports in compliance with the following guidelines:

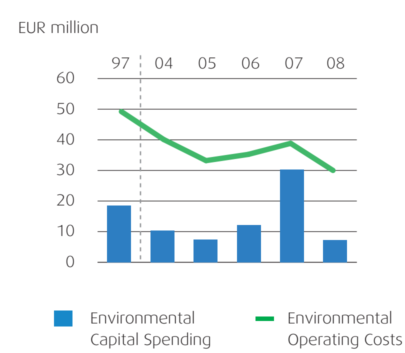
- The Finnish Accountancy Standards Board's recommendation on the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of companies, 2003
- Cefic (European Chemical Industry Association): Responsible Care Reporting Guidelines 2006
- Applicable IFRS guidelines

The Environmental Report is available at our website at www.kemira.com > Corporate Responsibility > Environmental Responsibility. More information on environmental risks can also be found on page 105, Notes to the Consolidated Financial Statements.

Development of Kemira's Water Footprint



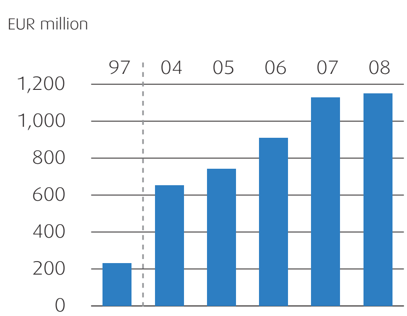
Environmental Operating Costs and Environmental Capital Spending



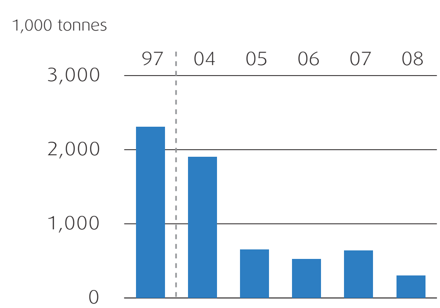
We Are Committed to

- Preventing and minimizing any harmful effects of our operations on the environment, people and property
- Continuously improving our environmental and safety performance
- Promoting sustainable development by making economic use of energy and natural resources
- The International Responsible Care (RC) program
- To globalizing our certified management systems

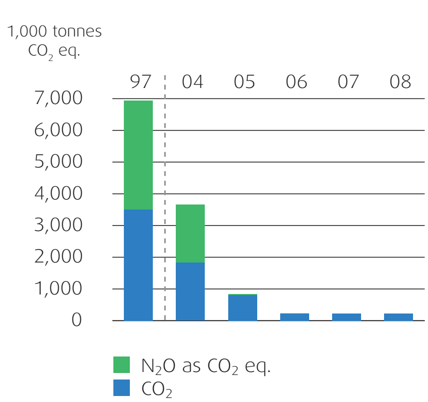
Environmental Business



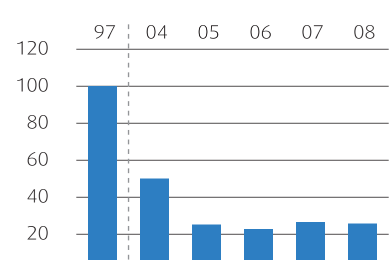
Non-hazardous Waste Generation



Greenhouse Gas Emissions



Environmental Index



Environmental index consist of seven different releases, and of non-hazardous and hazardous waste. In year 1997 the index was 100.

Corporate Governance

We are committed to complying with corporate governance and implementing best practices throughout our operations. Our general operating principles, mutual responsibilities and lines of responsibility are defined by the Kemira Code of Conduct.

Corporate Governance

Kemira Oyj's corporate governance is based on the Finnish Companies Act and the Articles of Association. Kemira Oyj shares are listed on the NASDAQ OMX Helsinki Ltd and the Company complies with the rules and regulations on listed companies issued by the NASDAQ OMX Helsinki Ltd. Furthermore, until December 31, 2008 the Company complied with the Corporate Governance Recommendation for Listed Companies issued on December 2, 2003 and since January 1, 2009, the Company has complied with the new Finnish Corporate Governance Code.

As indicated above, Kemira Oyj's general operating principles, mutual responsibilities and lines of responsibility are defined by the Kemira Code of Conduct. Kemira's values and ethical principles underpin the Company's corporate governance and the way in which the Company interacts with its main stakeholders which can be found on the Company's website at www.kemira.com > Responsibility > Code of Conduct

According to Kemira Oyj's Articles of Association, the Company's affairs are managed by the Board of Directors and the Managing Director. The Company has also appointed a substitute for the Managing Director.

Kemira Oyj's Articles of Association can be found on the Company's website at www.kemira.com > Investors > Corporate Governance > Articles of Association.

Shareholders' Meeting

Kemira Oyj's shareholders' meeting, the Group's highest decision-making body, is held at least once a year. The Annual General Meeting (AGM) must be held each year by the end of May. The AGM makes decisions on tasks within its competence under the Companies Act, such as the adoption of the financial statements and dividend payout, the discharge of Board members and the Managing Director and his Deputy from liability, the election of the Chairman and Vice Chairman and members of the Board of Directors and their emoluments, and the election of the auditor and the auditor's fees.

A notice of a shareholders' meeting must be published in at least two national newspapers, specified by the Board of Directors, no earlier than 2 months and no later than 17 days prior to the meeting.

Kemira Oyj's Annual General Meeting was held in Helsinki on March 19, 2008. The meeting was attended by 525 shareholders either in person or by proxy, together representing around 61% of the shareholders' votes. All members of the Board of Directors attended, as did the Managing Director.

AGM decisions: www.kemira.com > Investors > Corporate Governance > Annual General Meeting.

Board of Directors

The AGM elects the Chairman, Vice Chairman and other members of the Board of Directors. In accordance with the Articles of Association, the Board of Directors comprises 4–8 members. On March 19, 2008 the AGM elected seven Board members. The AGM 2008 reelected members Elizabeth Armstrong, Juha Laaksonen, Ove Mattsson, Pekka Paasikivi and Kaija Pehu-Lehtonen to the Board of Directors and Jukka Viinanen and Jarmo Väisänen were elected as new members. Pekka Paasikivi was elected to continue as the Board's Chairman and Jukka Viinanen was elected as Vice Chairman.

In 2008, the Board of Directors met 15 times with an attendance rate of 98.1%. All of the Board members are independent of the Company. Of the Board members, Chairman of the Board, Pekka Paasikivi, is the Board Chairman of Oras Invest Oy and Jarmo Väisänen is employed by the Government of Finland in the Ownership Steering Department of the Prime Minister's Office. Oras Invest Oy and Solidium Oy, 100% of which is owned by the Government of Finland, each own over 10% of Kemira Oyj's shares.

Tasks and Duties

According to the Articles of Association, the Board of Directors is tasked with duties within its competence under the Companies Act. It has drawn up a written Charter defining its key duties and procedures. The Board of Directors evaluates its performance and working methods on an annual basis.

The Board of Directors is in charge of Corporate Governance and the due organization of the Company's operations. It decides on convening and prepares the agenda for the shareholders' meeting and ensures the practical implementation of decisions taken thereby. In addition, the Board of Directors decides on authorizations for representing the Company.

The Board of Directors' key duties include matters which, in view of the scope and type of the Company's operations, are uncommon or involve wide-ranging effects, such as to establish the Company's long term goals and the strategy for achieving them, to approve the annual business plans and budget, to define and approve corporate policies in key management control areas, to approve the Company's organizational structure and to appoint the Managing Director, his deputy and members of the Group Management Boards, to approve of Company's investment policy and major investments and divestments, and to approve the group treasury policy and the major long term loans and the guarantees issued by the Company

The Boards' duties include to ensure that the Company has adequate planning, information and control systems and resources for monitoring result and managing risks in operations, to monitor and evaluate the performance of Managing Director, his deputy and members of the Group Management Boards and to decide upon their remuneration and benefits. The Boards' duty is to ensure continuation of the business operations by succession planning for key persons and to define and approve the main principles for the incentive bonus systems within the Company.

The Board of Directors also manages other tasks within its competence under the Companies Act. It is responsible for the due organization of the supervision of the Company's accounting and asset-liability management. The Board of Directors sees to it that the Company's financial statements give a true and fair view of the Company's affairs and that the consolidated financial statements are prepared under the International Financial Reporting Standards (IFRS) and the parent company's financial statements under the acts and regulations in force in Finland (FAS). The Board of Directors' meetings discuss the Company's profit performance at monthly level. The Board of Directors discusses the Company's audit with the auditor.

Board Members as of March 19, 2008

- Pekka Paasikivi (b. 1944), B.Sc. (Eng.), Board Chairman
- Jukka Viinanen (b. 1948), M.Sc. (Tech.), Vice Chairman of the Board
- Elizabeth Armstrong (b. 1947), Ph.D., member
- Juha Laaksonen (b. 1952), B.Sc. (Econ.), member
- Ove Mattsson (b. 1940), Ph.D., member
- Kaija Pehu-Lehtonen (b. 1962), M.Sc. (Eng.), member
- Jarmo Väisänen (b. 1951), Lic.Pol.Sc, member

Emoluments

Based on the decisions of the AGM held on March 19, 2008, Board members are entitled to a monthly fee and a fee per meeting. Compensation for travel expenses is based on the Company's Traveling Compensation Regulations. The monthly fee payable to the Board Chairman is EUR 5,500, with EUR 3,500 payable to the Vice Chairman and EUR 2,800 to other members. In addition, members living in Finland are entitled to a fee of EUR 600 per meeting, while those living elsewhere in Europe receive EUR 1,200 and non European Board members EUR 2,400. Those attending Board committee meetings are also entitled to a fee per meeting.

Emoluments to the Board of Directors

EUR	**2008**	2007
Pekka Paasikivi, Chairman	**73,219**	14,517*
Jukka Viinanen, Vice Chairman	**40,768**	-
Elizabeth Armstrong	**66,555**	61,800
Juha Laaksonen	**42,905**	9,006*
Ove Mattsson	**53,355**	52,200
Kaija Pehu-Lehtonen	**42,305**	38,400
Jarmo Väisänen	**34,174**	-
Total	**353,281**	175,923

* Board Member since October 4, 2007.

Committees

Kemira Oyj's Board of Directors has appointed three committees: the Audit Committee, the Compensation Committee and the Nomination Committee.

Audit Committee

The Audit Committee works in accordance with its Charter confirmed by the Board of Directors. It is tasked to assist the Board of Directors in fulfilling its oversight responsibilities for financial reporting process, the system of internal control, the audit process and Kemira's process for monitoring compliance with laws and regulations and the Kemira Code of Conduct.

The Audit Committee consists of members independent of the Company, elected by the Board of Directors from amongst its members. The Audit Committee is chaired by Juha Laaksonen and has Jarmo Väisänen and Kaija Pehu-Lehtonen as members. The Audit Committee met 5 times in 2008 with an attendance rate of 100%. The Committee reports to the Board of Directors on each meeting.

Compensation Committee

The Compensation Committee is made up of members independent of the Company and elected by the Board of Directors from amongst its members. The Board of Directors has approved a Charter for the Committee, according to which the Committee assists the Board of Directors by preparation of matters related to compensation of Managing Director, his deputy and the members of the Group Management Boards, by preparation of matters pertaining to the compensation systems and long-term incentive plans of the Company, by preparation of matters relating to appointment of Managing Director, his deputy and the members of the Group Management Boards, by monitoring succession planning of the senior management and by monitoring the senior management performance evaluation.

The Committee is chaired by Pekka Paasikivi and has Jukka Viinanen and Ove Mattsson as members. In 2008, the Compensation Committee met 5 times with an attendance rate of 100%. The Committee reports to the Board of Directors on each meeting.

Nomination Committee

The Nomination Committee is assembled by the Board of Directors to prepare a proposal for the AGM concerning the composition and remuneration of the Board of Directors. It comprises of the representatives of the three largest shareholders of Kemira Oyj based on the situation on December 17, 2008. The Chairman of Kemira Oyj's Board of Directors acts as an expert member.

The Nomination Committee is chaired by Jari Paasikivi, President and CEO, Oras Invest Oy. The other members are Director General Pekka Timonen from Ownership steering department of the Prime Minister's Office representing Solidium Oy and Risto Murto, Chief Investment Officer, Varma Mutual Pension Insurance Company. The Chairman of the Board of Directors Pekka Paasikivi acts as an expert member.

Managing Director

The Board of Directors appoints the Managing Director and the Managing Director's Deputy. Under the Articles of Association, the Managing Director is responsible for managing and developing the Company in accordance with the instructions and regulations issued by the Board of Directors.

The Managing Director is tasked with ensuring that the Company's interests are served by the subsidiaries and associated companies under its ownership. Moreover, the Managing Director puts the decisions taken by the Board of Directors into effect.

Furthermore, the Managing Director reports to the Board on financial affairs, the business environment and other, significant issues. The Managing Director also functions as the Chairman of Kemira's Strategic Management Board and Business Management Board.

Harri Kerminen, President and CEO has acted as the Group's Managing Director as of January 1, 2008. The Group Deputy CEO is Esa Tirkkonen. The Managing Director and the Managing Director's Deputy, including their related parties, are not involved in any substantial business relationships with the Company.

Group Management Boards

Kemira Oyj's Group Management Board was divided into two management boards on February 6, 2008. The Strategic Management Board is responsible for the strategy implementation and the Business Management Board concentrates on the operative steering of the business.

Business Management Board

- Harri Kerminen, President and CEO (Chairman)
- Esa Tirkkonen, Deputy President and CEO (Vice Chairman)
- Jyrki Mäki-Kala, CFO
- Petri Helsky, President, Paper
- Pekka Ojanpää, President, Water
- Randy Owens, President, Oil & Mining

Petri Helsky and Randy Owens have been members of the Business Management Board since October 1, 2008. Hannu Virolainen, President of Kemira Specialty, was a member of the Business Management Board until September 30, 2008.

Strategic Management Board

- Members of the Business Management Board
- Hannu Melarti, Region Head for North America
- Hilton Casas de Almeida, Region Head for South America
- Ronald Kwan, Region Head for Asia Pacific
- Håkan Kylander, Region Head for Europe, Middle East and Africa
- Petri Boman, Executive Vice President, Supply Chain Management
- Johan Grön, Executive Vice President, R&D and Technology
- Jukka Hakkila, Executive Vice President, Group General Counsel
- Päivi Jokinen, Executive Vice President, Marketing and Communications
- Eeva Salonen, Executive Vice President, Human Resources

Hannu Melarti, Hilton Casas de Almeida and Ronald Kwan have been members of the Strategic Management Board since February 6, 2008. Eeva Salonen has been a member since June 9, 2008. Johan Grön has been a member since July 1, 2008. Håkan Kylander and Päivi Jokinen have been members since October 1, 2008. President of Tikkurila, Visa Pekkarinen, President of Kemira Water, Mats Jungar, EVP of IT, Timo-Pekka Räty and EVP of HR, Helena Tammi were members until February 6, 2008. EVP of Strategy, Matti Nenonen, was a member until September 30, 2008. EVP of Communications, Timo Leppä, was a member until February 28, 2009.

Management Compensation and Employment Terms

The Board of Directors determines the Group's management board members' salaries and other remuneration and the

Managing Director's and his deputy's employment terms. Performance-based bonuses are determined by the achievement of Group and business area specific performance targets for each financial year. Management compensation consists of a monthly salary, perquisites and performance based bonuses, the latter being based on cash bonuses and Kemira Oyj shares.

Managing Director Harri Kerminen is entitled to retire at the age of 62 and his deputy, Esa Tirkkonen, is entitled to retire at the age of 60. The Managing Director's and his deputy's pension entitlement is based on a contract according to which the maximum pension accounts for 66% of his pensionable earnings. This opportunity is based on the benefits provided by the Company pension fund, closed to new members since January 1, 1991.

A six-month period of notice applies to the Managing Director and his deputy. The Managing Director will receive severance pay equaling his 12–month salary and his deputy will receive severance pay equaling his 18–month salary if the Company gives them notice.

Compensation Paid to Members of the Group Management Boards

	2008	2007
Harri Kerminen, President and CEO (as of January 1, 2008)		
Salary incl. perquisites, EUR	**649,452**	-
Performance-based bonus, cash bonus, EUR	**7,380**	-
Performance-based bonus, Kemira Oyj shares, EUR *	**0**	-
Total salary, EUR	**656,832**	-
Kemira shares, as performance-based bonus	**0**	-
Esa Tirkkonen, Deputy President and CEO		
Salary incl. perquisites, EUR	**322,760**	311,460
Performance-based bonus, cash bonus, EUR	**0**	136,979
Performance-based bonus, Kemira Oyj shares, EUR *	**0**	325,278
Total salary, EUR	**322,760**	773,717
Kemira shares, as performance-based bonus	**0**	6,962
Total for other management board members		
Salary incl. perquisites, EUR	**3,428,173**	2,072,396
Performance-based bonus, cash bonus, EUR	**24,686**	785,879
Performance-based bonus, Kemira Oyj shares, EUR *	**0**	1,753,188
Total salary, EUR	**3,452,859**	4,611,463
Kemira shares, as performance-based bonus	**0**	37,871

* Share remuneration includes total in paid cash and value of Kemira Oyj shares.

Group Structure

Kemira Oyj has organized its business into three customer based segments with P/L responsibilities. The new organization became effective on October 1, 2008. The Paper segment will focus on serving customer segments in the pulp and paper industry, while the Water segment will concentrate on serving customer segments in municipal and industrial water treatment. A new business, Oil & Mining, develops businesses in the areas of the oil, gas and mining industries. Financial reporting has change over to the new structure from the beginning of 2009.

Kemira Oyj's centralized functions are responsible for the exploitation of internal synergies and managing and coordinating certain company-wide functions, such as human resources, legal, logistics, purchasing and sourcing, financing, risk management, internal auditing, finances, IT management, R&D, environmental protection and communication.

Kemira Oyj's paints and coatings business Tikkurila Oy is managed as operationally independent Group company.

On January 12, 2009 a new Board of Directors was appointed to Tikkurila Oy. Harri Kerminen, President and CEO of Kemira Oyj, was elected to continue as the Chairman of the Board. Jari Paasikivi, Managing Director of Oras Invest Oy, and Petteri Walldén, who holds several board positions in private and public companies, were elected to continue as members. New members of the Board are Senior Financial Specialist Eeva Ahdekivi from the State of Finland's Ownership steering; Ove Mattsson, member of the Board of Kemira Oyj and M.Sc. (BA and Econ.) Pia Rudengren.

Governance Structure

Internal Control
Kemira maintains an internal control system to ensure the effectiveness and efficiency of its operations, including the reliability of financial and operational reporting and compliance with the applicable regulations, policies and practices. The main components of internal control are the management and organizational culture, risk assessment, control activities, reporting and communication, as well as monitoring and auditing.

Management and Organizational Culture
Kemira's corporate values and Code of Conduct provide the basis for corporate governance in the Group and communication with major stakeholder groups. The Kemira Code of Conduct has been communicated to all Group staff. Every employee has the right and duty to report any violations of the law and the Code of Conduct. Kemira conducts an annual employee opinion survey and an internal control survey to elicit its staff's views on the working climate and the status of internal control.

Risk Assessment
Kemira's risk management is based on the principle of Enterprise Risk Management (ERM). The Enterprise Risk Management approach refers to the systematic and proactive identification, assessment and management of various risk categories, such as strategic, hazard, operational and financial risks, with the aim of defining and reaching the desired level of aggregate risk in relation to the Group's risk tolerance, while ensuring the continuity of operations. Pages 38–39 and 105–107 provide more information on risks and risk management.

Control Activities
Control activities are implemented throughout the units and organizational levels and include, for example, reporting, approval procedures, reconciliations, the segregation of duties and the safeguarding of assets. Kemira's Business Control Manual contributes to the maintenance and development of the adequate and uniform internal control system within the Group companies.

Reporting and Communication
All Kemira units apply consistent accounting and reporting policies based on the International Financial Reporting Standards (IFRS). The Group's financial reporting policies and guidelines and all other Group policies and instructions are available on its intranet. An extensive program has been completed in Kemira to harmonize business processes in line with its strategy and to implement a global, comprehensive enterprise resource planning system to ensure timely and reliable information.

Monitoring and Auditing

The line organizations are responsible for monitoring the effectiveness of the internal control system. Kemira Group's internal audit function provides independent appraisal and assurance for the review of operations within the Group in order to support the management and the Board of Directors in fulfilling their oversight responsibilities. Internal auditors have complete and unrestricted access to all Kemira activities. The internal audit function reports to the Board Audit Committee on its findings and recommendations and administratively to the Group General Counsel. Internal audit plans and findings are subject to regular review with the external auditors during the course of the year.

Audit

Under the Articles of Association, the shareholders' meeting elects one auditor who must represent an accounting firm certified by the Central Chamber of Commerce as an Authorized Public Accountant.

The auditor's term of office terminates at the close of the AGM following its election. The Annual General Meeting 2008 elected KPMG Oy Ab, Authorized Public Accountants, as the Company's auditor, with Pekka Pajamo, Authorized Public Accountant, acting as the chief auditor.

In 2008, the audit fee paid to the auditor (KPMG) totaled EUR 2.2 million and the fee unrelated to audit totaled EUR 2.1 million.

Insiders

As provided by the Finnish Securities Markets Act, Kemira Oyj's insiders consist of insiders subject to disclosure requirements, permanent company-specific insiders and project specific insiders. On the basis of their position, Kemira's insiders subject to disclosure requirements comprise Board members, the Managing Director and the Deputy Managing Director, members of Kemira Oyj's Group Management Boards and the auditor or the chief auditor representing the independent firm of public accountants. Kemira Oyj's permanent company-specific insiders comprise certain other persons separately specified by the Group General Counsel.

Kemira Oyj complies with the Insider Guidelines issued by the NASDAQ OMX Helsinki Ltd, according to which insiders should trade in Company shares at a time when the marketplace has the fullest possible information on circumstances influencing the value of the Company's share. Accordingly, Kemira Oyj's insiders may not trade in Company shares for 30 days prior to the disclosure of the Company's interim accounts or the release of the financial statements bulletin.

The CEO's office maintains Kemira Oyj's insider register and updates information on the Company's insiders subject to statutory disclosure requirements to be entered in the public insider register of Euroclear Finland Oy. Kemira's insider information is available in the web-based NetSire service maintained by Euroclear Finland Oy.

The table on this page shows insider shareholdings in Kemira Oyj on December 31, 2008 and on December 31, 2007. Shareholdings include personal shareholdings and the related-party holdings as well as holdings in companies over which the shareholder exercises control. Up-to-date insider information as well as updated shareholding information can be found on the Company's website at www.kemira.com > Investors > Corporate Governance > Insiders.

Insiders' Shareholdings

Name	Shares	
	Dec. 31, 2008	Dec. 31, 2007
Board of Directors		
Armstrong Elizabeth	**0**	0
Laaksonen Juha	**0**	0
Mattsson Ove	**19,300**	19,300
Paasikivi Pekka	**790,225**	625,225
Pehu-Lehtonen Kaija	**0**	0
Viinanen Jukka	**1,000**	not an insider
Väisänen Jarmo	**0**	not an insider
Management Board		
Boman Petri	**765**	765
Casas de Almeida Hilton	**4,200**	not an insider
Grön Johan	**1,301**	not an insider
Hakkila Jukka	**4,113**	3,713
Helsky Petri	**0**	not an insider
Jokinen Päivi	**0**	not an insider
Kerminen Harri	**17,167**	17,167
Kwan Ronald	**0**	not an insider
Kylander Håkan	**4,121**	not an insider
Melarti Hannu	**5,820**	not an insider
Mäki-Kala Jyrki	**5,501**	3,601
Ojanpää Pekka	**4,748**	4,748
Owens Randy	**5,055**	not an insider
Salonen Eeva	**0**	not an insider
Tirkkonen Esa	**22,037**	22,037
Auditors		
Pajamo Pekka	**0**	0

Risk Management

We rely on Enterprise Risk Management (ERM) to identify, analyze and manage risks systematically and proactively, with the aim of reaching the desired aggregate risk level and ensuring the continuity of operations.

Risk Management Principles

We define risks as potential events or circumstances, which, if they materialize, may affect our ability to meet our strategic and operational goals in a sustainable and ethical way. The Enterprise Risk Management approach (picture) refers to the systematic and proactive identification, analysis and management of various risk categories, such as strategic, operational, hazard and financial risks. Our objective is to determine and maintain the desired aggregate risk level in relation to the Group's risk tolerance, while ensuring business continuity.

Our risk management is based on the Kemira Code of Conduct and on the Corporate Governance recommendations for Finnish listed companies. In addition, we have Group guidelines and policies in place that specify management objectives, responsibilities and risk limits in greater detail.

Kemira's Board of Directors defines and approves the key principles applied in our risk management, and the Audit Committee assists the Board in risk management supervision. The business segments and functions answer for the risks involved in their activities and for the related risk management. The Group's Risk Management function is in charge of developing and coordinating risk management and risk management networks within the Group, while Kemira's Internal Audit is responsible for assessing the Risk Management function and its measures.

Risk Management Implementation

In Kemira, each business segment and function performs its overall risk identification, analysis and management in conformity with the jointly agreed risk self-assessment methodology. The results of the risk management process are also reported to Kemira's Audit Committee. Risk management is being integrated more closely into key processes such as strategic planning, investments, divestments and acquisitions.

Some risk management measures are performed centrally in order to generate cost benefits and ensure a sufficient level of protection. These include insurance cover for certain risks, such as general third party and product liability, cargo, property and business interruption insurance for major production sites, as well as the hedging of treasury risks.

About Our Risks

A variety of risks affect our ability to achieve our targets. Despite our proactive risk management efforts, some of the risks may nevertheless materialize and significantly impact Kemira's ability to achieve its targets. More detailed information on financial risks and their management is provided on page 105 in the Notes section. A more detailed account of materialized environmental and hazard risks is provided in Kemira's environmental report published in April 2009 at www.kemira.com > Responsibility > Environmental Responsibility.

Realizing the Change in Kemira

Our new strategy announced in 2008 requires significant changes both in our business portfolio and in our day-to-day operations. Delays in the planned business arrangements or their cancellation would constitute a major risk with respect to our objectives. Other key factors relevant to change

ERM Process

in Kemira include our new way of working as well as the renewed organizational model; therefore any failures in their application would represent a significant risk to our ability to meet our goals. The reliability of the IT applications supporting our prospective changes is also essential.

Competition

Our performance in the ever changing competitive arena also represents a risk to meeting our goals. New players seeking a foothold in our key business segments use aggressive pricing as a competitive tool, which may erode our financial results. We are seeking growth in segments that are less familiar to us, and we will have to face a new competitive situation in these segments. Substitute products competing with ours may also undermine our competitive position.

Price and Availability of Raw Materials and Commodities

As stated in our strategy, one of our goals is profitability improvement. Significant increases in raw material, commodity or logistic costs could place our profitability targets at risk. For instance, high oil and electricity prices could materially weaken our profitability. Poor availability of certain raw materials may affect our production if we fail to prepare for this by mapping out alternative suppliers or opportunities for process changes.

Changes in Customer Industries

Several of our customers have shifted the geographic focus of their operations to South America and Asia. Our existing production capacity is primarily located in Europe and North America, which is why one of our key challenges is to ensure that our production facilities are where our markets are. Similarly, the consolidation of our customer companies may result in our losing customers or being in a more disadvantaged position in sales negotiations.

New Technologies

Many of our products are bulk chemicals, which is why cost effectiveness is a key production factor. A situation in which our competitors outperform us in developing new and effective technologies would constitute a long-term risk. Similarly, the construction of new, large and cost-efficient production units could threaten our competitive position.

Human Resources

Our strategy deployment might be at risk if we are unable to recruit and retain skilled and motivated personnel. Induction and successor training is a long-term process, which is why good successor planning is essential for business continuity and success. Human resources risk management is particularly challenging in the growth areas of South America, Russia and Asia.

Board of Directors

Pekka Paasikivi

Jukka Viinanen

Elizabeth Armstrong

Pekka Paasikivi
Kemira shares: 790,225.
B.Sc. (Eng.), b. 1944.
Board Chairman since 2007.

Positions of Trust:
East Office of Finnish Industries, Member of the Board since 2008.
Varma Mutual Pension Insurance Company, Chairman of the Supervisory Board since 2005.
Oras Invest Ltd, Chairman of the Board since 2004.
Foundation of Economic Education, Member of the Board since 2003.

Past Positions of Trust:
Raute Oyj, Member of the Board, 2002–2008.
Uponor Oyj, Chairman of the Board, 1999–2008.
Erkki Paasikivi Foundation, Chairman of the Board, 1997–2008.
Okmetic Oyj, Member of the Board, 1996–2008.
Hollming Oy, Vice Chairman of the Board, 1993–2005.
Finland Central Chamber of Commerce, Member of the Board, 1996–1998.
Yrittäjäin Fennia, Member of the Board, 1987–1998.

Career History:
Oras companies, various positions since 1966, among others Managing Director, President and CEO, Chairman of the Board.

Jukka Viinanen
Kemira shares: 1,000.
M.Sc. (Tech.), b. 1948.
Vice Chairman of the Board since 2008.

Positions of trust:
Metso Oyj, Member of the Board since 2008.
Rautaruukki Oyj, Chairman of the Board since 2001.

Past Positions of Trust:
Huhtamaki Oyj, Member of the Board, 1999–2005.
Uponor Oyj (Former Asko Oyj), Member of the Board, 1993–2001.
Lassila & Tikanoja Group Oyj, Member of the Board, 1993–2001.
State Research Institute, Chairman of the Board, 1994–2002.
Neste Oyj, Vice Chairman of the Board, 1996–1999.
Neste Oyj, Member of the Board, 1990–1996.

Career History:
Orion Oyj, President and CEO, 2000–2007.
Neste Oyj, President and CEO, 1997–1999.
Neste Oyj, Executive and Board positions, 1983–1999.

Elizabeth Armstrong
Kemira shares: 0.
Ph.D., b. 1947.
Member of the Board since 2003.

Past Positions of Trust:
Image Polymers, Chairman of the Board, 1996–2005.

Career History:
NeoResins, President, 1996–2005.
Avecia, Senior Vice President, 1999–2005.
Zeneca, Vice President, 1996–1999.
Cytec Industries, Vice President, 1993–1996.
Cyanamid, various positions, among others General Manager, 1976–1993.

Ove Mattsson
Kemira shares: 19,300.
Ph.D., b. 1940.
Member of the Board since 2003.

Positions of Trust:
Tikkurila Oy, Member of the Board since 2009.
Fabryo Corporation SRL, Member of the Board since 2008.
Biotage AB, Chairman of the Board since 2007 and Board Member since 2003.
Geveko AB, Chairman of the Board since 2006.
Arctic Island Ltd, Member of the Board since 2003.
Aromatic AB, Chairman of the Board since 2003.
Mydata Automation AB, Member of the Board since 2003.

Past Positions of Trust:
Exel Oyj, Chairman of the Board, 2003–2008.
Chumak CJSC, Member of the Board 2005–2008.

Ove Mattsson | Juha Laaksonen | Kaija Pehu-Lehtonen | Jarmo Väisänen

XCounter AB, Chairman of the Board 2003–2006.
MacGregor AB, Chairman of the Board 2003–2005.

Career History:
Akzo Nobel nv, Member of Management Board and COO of Akzo Nobel Coatings, 1994–2000.
Nobel Industries AB, President and CEO, 1991–1994.
Casco Nobel AB, President, 1978–1991.

Juha Laaksonen
Kemira shares: 0.
B.Sc. (Econ.), b. 1952.
Member of the Board since 2007.

Positions of Trust:
TGC-10, Member of the Board since 2008.
Sato Oyj, Chairman of the Board since 2007.
The Fortum Art Foundation, Chairman of the Board since 2005.
Teollisuuden Voima Oyj, Member of the Board since 2003.
Kemijoki Oy, Member of the Supervisory Board since 2002.

Past Positions of Trust:
Tapiola Mutual Insurance Company, Member of the Supervisory Board, 2002–2007.
Neste Oil Oyj, Member of the Board, 2005–2007.

Career History:
Fortum Corporation, CFO since 2000.
Fortum Corporation, Corporate Vice President, M&A, 2000.
Fortum Oil & Gas Oy, Executive Vice President, Finance & Planning, 1999.
Neste Oyj, CFO, 1998.
Neste Oyj, Corporate Controller, 1997.

Kaija Pehu-Lehtonen
Kemira shares: 0.
M.Sc. (Eng.), b. 1962.
Member of the Board since 2004.

Positions of trust:
Forestcluster Ltd., Member of the Board since 2008.
Mittaportti Oy, Chairman of the Board since 2007.

Career History:
Oy Metsä-Botnia Ab, Vice President, New Businesses, Business Development competence centre since 2008.
Oy Metsä-Botnia Ab, Site Manager of Rauma pulp mill, 2001–2008.
Kymmene Oy and Metsä-Botnia, expert and managerial positions since 1986.

Jarmo Väisänen
Kemira shares: 0.
Lic.Pol.Sc, b. 1951.
Member of the Board since 2008.

Positions of Trust:
Finnair Oyj, Chairman of the Nomination Committee since 2008.
Neste Oil Oyj, Chairman of the Nomination Committee since 2007.
Outokumpu Oyj, Chairman of the Nomination Committee since 2007.
Edita Oyj, Vice Chairman of the Board since 2006.

Past Positions of Trust:
Sponda Oyj, Vice Chairman of the Board, 1996–2008.
Kapiteeli Oyj, Vice Chairman of the Board, 2003–2006.
Solidium Oy, Vice Chairman of the Board, 1996–2004.
Finnish Export Credit Oy, Vice Chairman of the Board, 2003–2004.
Acta Print Oy, Member of the Board, 2003–2004.

Career history:
Ownership steering department of the Prime Minister's Office, Senior Financial Counsellor since 2007.
Ministry of Finance, Head of the Ownership Steering Unit 2000–2007, Head of the Market Stability Unit 1997–1999 and Head of the GGF Group 1996–1997.
Government Guarantee Fund, Deputy Director and M&A Specialist, 1993–1996.
Industrialization Fund of Finland Ltd, Investment Manager 1989–1993 and Research Manager 1986–1988.

Management Board

Harri Kerminen

Esa Tirkkonen

Jyrki Mäki-Kala

Petri Helsky

Members of the Business Management Board and Strategic Management Board

Harri Kerminen
Kemira shares: 17,167.
M.Sc. (Eng.), MBA, b. 1951.
Kemira's President and CEO, and Chairman of the management board since 2008.
Employed by Kemira since 1985.

Positions of Trust:
Chemical Industry Federation, Vice Chairman of the Board since 2009.
CEFIC, Member of the Board since 2008.
Tikkurila Oy, Chairman of the Board since 2008.

Career History:
Kemira Oyj, President of the Kemira Pulp&Paper business area, 2006–2007.
Kemira Oyj, President of the Kemira Specialty business area, 2000–2006.
Kemira Chemicals Oy, Vice President HR, 1996–2000.
Kemira Oyj, Manager of Oulu plant, 1994–1996.
Kemira Kemi AB, Production Manager, 1990.
Kemira Oy, Project Manager, plant construction projects in Finland, Sweden, Belgium and the US, 1989–1994.

Esa Tirkkonen
Kemira shares: 22,037.
M.Sc. (Eng.), b. 1949.
Deputy CEO and Vice Chairman of the management board since 1995.
Employed by Kemira since 1974.

Positions of Trust:
Teollisuuden Voima Oyj,
Member of the Board since 1994.
Pohjolan Voima Oyj,
Member of the Board since 1994.

Career History:
Kemira Oyj, CFO, 1995–2008.
Kemira Agro, President, 1990–1994.
Kemira Oy, Purchasing Director, Agricultural Division, 1980–1990.
Kemira Oy, Plant Manager of Uusikaupunki plant, 1979–1980.

Jyrki Mäki-Kala
Kemira shares: 5,501.
M.Sc. (Econ.), b. 1961.
CFO and Member of the management board since 2008.
Employed by Kemira since 2005.

Career History:
Kemira Oyj, President of the Kemira Pulp&Paper business area, February 6, 2008–September 30, 2008.
Kemira Oyj, Kemira Pulp&Paper, Vice President, Finance & Control, 2006–2007.
Kemira Oyj, Vice President, Lanxess Paper Chemicals
Integration, 2005–2007.
Kemira Oyj, Kemira Pulp&Paper, Vice President, Bleaching Chemicals Finland, 2005–2006.
Finnish Chemicals Oy, Business Controller, Director of Business Development,
CFO, Divisional director and Managing Director, 1988–2008.

Petri Helsky
Kemira shares: 0.
M.Sc. (Chem. Eng.), M.Sc. (Econ.), b. 1966.
President of Paper segment and member of the management board since 2008.
Employed by Kemira since 2007.

Career History:
Kemira ChemSolutions, Senior Vice President, SBU Manager, 2007–2008.
Kemira ChemSolutions b.v., Managing Director, 2007–2008.
Solvay SA, Business Manager H2O2 EMEA, 2002–2007.
Oy Finnish Peroxides Ab, Managing Director, 1997–2002.
Solvay Nordic Ab, General Manager, 1996–1997.
Solvay Nordic Ab, Sales Manager, 1993–1996.
Dow Corning, Sales Responsible, 1992–1993.

Hannu Melarti | Pekka Ojanpää | Randy Owens | Håkan Kylander

Pekka Ojanpää
Kemira shares: 4,748.
M.Sc. (Econ.), b. 1966.
President of Water segment since 2008.
Member of the management board, and employed by Kemira since 2005.

Positions of Trust:
Sievo Oy, Member of the Board since 2007.

Career History:
Kemira Oyj, President of the Kemira Specialty business area, 2006–2008.
Kemira Oyj, Executive Vice President of Procurement & Logistics, 2005–2006.
Nokia Oyj, Vice President, Electromechanics Supply Line Management, 2001–2004.
Nokia Hungary, Managing Director, 1998–2001.
Nokia Mobile Phones, Sales and logistics managerial positions, 1994–1998.

Randy Owens
Kemira shares: 5,055.
B.Sc. MBA, b. 1964.
President of Oil & Mining segment and member of the management board since 2008.
Employed by Kemira since 2002.

Career History:
Kemira Oyj, Kemira Pulp&Paper, Vice President, Strategic Business Unit Additives, 2002–2008.
Vinings Industries, Business Manager, Sales, Product Management and Marketing Management, 1991–2002.
Nalco Chemicals, Sales, 1987–1991.

Members of the Strategic Management Board

Håkan Kylander
Kemira shares: 4,121.
Studies for M.Sc. (Econ), b. 1953.
Region Head for EMEA and member of the management board since 2008.
Employed by Kemira since 1988.

Career History:
Kemira Oyj, Kemira Pulp&Paper, Vice President, Human Resources, 2004–2008.
Kemira Oyj, Kemira Chemicals Oy, Vice President, Human Resources, 2000–2003.
Kemira Pigments Oy, Vice President, Finance & IT, 1997–1999.
Kemira Kemi AB, Vice President, Finance & IT, 1995–1997.
Kemira Oy, Controller, 1990–1994.
Oy Hortus Ab (Kemira's associated company), Administrative Manager, 1988–1989.

Hannu Melarti
Kemira shares: 5,820.
LL.B., b. 1953.
Region Head for North America and member of the management board since 2008.
Employed by Kemira since 2005.

Career History:
Kemira Chemicals Inc., President, 2005–2007.
Metso Inc., President, 2001–2004.
Metso Paper Inc., President, 1999–2000.
Sunds Defibrator Inc., President, 1996–1998.
Sunds Defibrator Industries AB, General Counsel, 1995.
Rauma Inc., Legal Counsel, 1991–1994.
Sunds Defibrator AB, General Counsel, 1988–1990.

Management Board

Ronald Kwan Hilton Casas de Almeida Petri Boman Johan Grön

Ronald Kwan
Kemira shares: 0.
BA Chemistry, b. 1957.
Region Head for Asia Pacific and member of the management board since 2008.
Employed by Kemira since 2007.

Career History:
Kemira Oyj, Kemira Chemicals (Shanghai) Co. Ltd., Managing Director, Pulp and Paper, China, 2007–2008.
Ciba Specialty Chemicals, Head of Segment Coating Effects, Asia Pacific, 2005–2007.
Ciba Specialty Chemicals, Director of Business Development, Asia Pacific, 2002–2005.
Vantico Limited, Regional Managing Director, Asia Pacific, 2000–2002.
Ciba Specialty Chemicals, Manager, Performance Polymers Division, Asia Pacific, 1993–2000.
Dow Chemical, various positions in Technical Services and Marketing in Asia and Canada, 1980–1993.

Hilton Casas de Almeida
Kemira shares: 4,200.
B.Sc. (Chemistry), b. 1961.
Region Head for South America and member of the management board since 2008.
Employed by Kemira since 2007.

Career History:
BASF SA, Functional Polymers Unit, Regional Business Director, 2004–2007.
BASF AG, Functional Polymers Division, Sales Manager (Europe), 2001–2004.
BASF SA, Specialty Chemicals Division, Regional Sales & Marketing Manager, Product Manager, Sales Representative, Technical Assistant 1989–2001.
Bera do Brasil Met. E. Com. Metais Ltda., Head of the Technical Department, Quality Control Head, 1985–1988.
Duratex SA, Technical in Development of Manufacturing Process, 1982–1985.

Petri Boman
Kemira shares: 765.
M.Sc. (Tech.), b. 1966.
Executive Vice President, Supply Chain Management and member of the management board since 2007.
Employed by Kemira since 2005.

Positions of Trust:
Reachway Ltd, Member of the Board since 2008.

Career History:
Kemira Oyj, Group Vice President, Supply Chain, the Kemira Coatings business area, 2005–2006.
Nokia Corporation, Senior SLM Manager, 2002–2005.
Nokia Corporation in Denmark and the UK, Designer and New Technology Purchasing Manager, 1997–2002.
Vaisala Ltd, Engineer, 1993–1996.

Johan Grön
Kemira shares: 1,301.
D.Sc. (Chem.Eng.), b. 1966.
Executive Vice President, R&D and Technology, and member of the management board since 2008.
Employed by Kemira since 2006.

Positions of Trust:
Forestcluster Ltd, Member of the Board since 2007.

Career History:
Kemira Oyj, Vice President, R&D, Business Area Pulp & Paper, 2006–2008.
Stora Enso Publication Papers Oy, Research and Development Manager, 2004–2006.
Åbo Akademi University, Adjunct Professor since 1998.
Metso Paper Inc., Vice President, Process Chemistry and Technology, 2002–2004.
Valmet Corporation, Research Manager, 1995–2002.

Päivi Jokinen

Jukka Hakkila

Eeva Salonen

Päivi Jokinen
Kemira shares: 0.
M.Sc. (Econ.), b. 1968.
Executive Vice President, Marketing and Communications, and member of the management board since 2008.
Employed by Kemira since 2008.

Career History:
International Paper Europe, Strategic Planning Manager, 2006–2008.
International Paper European Papers, Marketing Director, 2004–2006.
Specialty Minerals Europe, Marketing and Strategic Planner, 2003.
The Boston Consulting Group, Management Consultant, 2000–2002.
Jaakko Pöyry Consulting, Business and Marketing Strategies Consultant, 1998–1999.
Price & Pierce Finland, Sales Manager, 1996–1998.

Jukka Hakkila
Kemira shares: 4,113.
LL.M., b. 1960.
Executive Vice President, Group General Counsel and member of the management board since 2005.
Employed by Kemira since 2005.

Career History:
Elcoteq Network Corporation, General Counsel, 2002–2005.
Finnish Export Credit Ltd, Senior Vice President, Lending and Legal Affairs, 2002.
Sampo Bank in New York, Chief Representative, 2001–2002.
Leonia Bank in New York, Senior Vice President, 1999–2000.
Leonia Corporate Bank, First Vice President, 1998–1999.
Finnish Export Credit Ltd, Chief Legal Counsel for business matters, 1996–1998,
Senior Legal Counsel 1995–1996 and Legal Counsel 1988–1995.

Eeva Salonen
Kemira shares: 0.
M.A., b. 1960.
Executive Vice President, Human Resources, member of the management board.
Employed by Kemira since 2008.

Career History:
Nokia Oyj, Vice President, HR, Devices R&D, January 1, 2008–June 8, 2008.
Nokia Oyj, Vice President, HR, Mobile Phones Business Group, 2004–2007.
Nokia Oyj, Director, Business HR, Nokia Mobile Phones, Global Operations, Logistics & Sourcing, 2002–2004.
Nokia Oyj, Senior Business HR Manager, Nokia Mobile Phones, Operations, Logistics & Sourcing, Europe and Africa, 1999–2002.
Nokia Oyj, Human Resources Development Manager, Nokia Mobile Phones, Europe and Africa region, 1995–1999.
Quality Systems Oy, Consultant and Research Manager positions, 1987–1994.

CEO and Board of Directors, Tikkurila


Erkki Järvinen


Harri Kerminen


Jari Paasikivi

Erkki Järvinen
M.Sc. (Econ.), b. 1960.
Tikkurila's President and CEO since 2009.

Positions of Trust:
Sannäsin Kartano Oy, Vice Chairman of the Board since 2008.
TAT ry, Member of the Board since 2007.

Past Positions of Trust:
Luottokunta, Member of the Supervisory Board, 2006–2008.
IBA, International Book and Press Retailers Association, Member of the Board 2002–2008 and Chairman of the Board 2006–2008.
Federation of Finnish Commerce, Member of the Board, 2005–2008.
Finnish Institute of Management, Member of the Board, 2005–2008.

Career History:
Rautakirja Oy, President and CEO, 2001–2008.
Rautakirja Oy, Senior Vice President, Kiosk Operations, 1997–2001.
Siljans Knäcke AB, Managing Director, 1995–1996.
Vaasamills Ltd, Vice President, Marketing (Nordic), 1991–1996.
Vaasamills Ltd, Marketing Manager, 1990–1991.
Oy Karl Fazer Ab, Fazer Bakeries, Product Manager, Marketing Manager, 1984–1990.

Harri Kerminen
M.Sc. (Eng.), MBA, b. 1951.
Kemira Oyj's President and CEO.
Chairman of Tikkurila's Board since 2008.

Positions of Trust:
Chemical Industry Federation, Vice Chairman of the Board since 2009.
CEFIC, Member of the Board since 2008.

Career History:
Kemira Oyj, President of the Kemira Pulp&Paper business area, 2006–2007.
Kemira Oyj, President of the Kemira Specialty business area, 2000–2006.
Kemira Chemicals Oy, Vice President HR, 1996–2000.
Kemira Oyj, Manager of Oulu plant, 1994–1996.
Kemira Kemi AB, Production Manager, 1990.
Kemira Oy, Project Manager, plant construction projects in Finland, Sweden, Belgium and the US, 1989–1994.

Jari Paasikivi
M.Sc. (Econ.), b. 1954.
Vice Chairman of Tikkurila's Board since 2008.

Positions of Trust:
Uponor Corporation, Chairman of the Board since 2008.
Finland Central Chamber of Commerce, Vice Chairman of the Board since 2007.
Technology Industries of Finland, Member of the Board since 2006.
Oras Oy, Member of the Board since 2005.
Vakka-Suomi Youth Foundation, Chairman of the Board since 1998.

Career History:
Oras Invest Oy, President and CEO since 2006.
Oras Ltd, President and CEO, 2002–2007.
Oras Ltd, Managing Director, 1994–2001.
Oras Ltd, Plant Director, 1989–1994.
Oras Armatur A/S, Norway, Marketing Manager, 1987–1989.
Oras Ltd, Marketing Manager, 1983–1986.

Eeva Ahdekivi
M.Sc. (Econ.). b. 1966.
Member of Tikkurila's Board since 2009.

Positions of Trust:
Patria Oyj, Member of the Board since 2008.
Young Enterprise Finland, Auditor since 2006.

Career History:
Prime Minister's Office, Ownership Steering Department, Financial Specialist since 2007.
Pohjola Asset Management Ltd., Director, 2004–2006.
Conventum Oyj, Partner, 1997–2003.
Merita Corporate Finance Oy, Director, 1994–1997.

Eeva Ahdekivi Ove Mattsson Pia Rudengren Petteri Walldén

Ove Mattsson
Ph.D., b. 1940.
Member of Tikkurila's Board since 2009.

Positions of Trust:
Fabryo Corporation SRL, Member of the Board since 2008.
Biotage AB, Chairman of the Board since 2007 and Board Member since 2003.
Geveko AB, Chairman of the Board since 2006.
Arctic Island Ltd, Member of the Board since 2003.
Aromatic AB, Chairman of the Board since 2003.
Mydata Automation AB, Member of the Board since 2003.

Past Positions of Trust:
Exel Oyj, Chairman of the Board, 2003–2008.
Chumak CJSC, Member of the Board, 2005–2008.
XCounter AB, Chairman of the Board, 2003–2006.
MacGregor AB, Chairman of the Board, 2003–2005.

Career history:
Akzo Nobel nv, Member of Management Board and COO of Akzo Nobel Coatings, 1994–2000.
Nobel Industries AB, President and CEO, 1991–1994.
Casco Nobel AB, President, 1978–1991.

Pia Rudengren
M.Sc. (BA and Econ.), b. 1965.
Member of Tikkurila's Board since 2009.

Positions of Trust:
Duni AB, Member of the Board since 2007.
WeMind Digital Psykologi AB, Member of the Board since 2007.
Varyag Resources AB, Member of the Board since 2006.
Biophausia AB, Member of the Board since 2006.

Past Positions of Trust:
Q-Med AB, Chairman of the Board 2006–2009 and Member of the Board 2003–2009.
Zodiak Televisio AB, Member of the Board, 2006–2008.
GHH Grand Hotel Holdings AB, Member of the Board, 1996–2006.
Ericsson Project Finance AB, Chairman of the Board, 1996–1999.

Career History:
W Capital Management AB, Executive Vice President, 2001–2005.
Investor AB, CFO and Member of the Management Group, 1998–2001, Deputy CFO 1996–1998, Head of Corporate Finance and Equity Trading, 1994–1996.

Petteri Walldén
M.Sc. (Eng.), b. 1948.
Member of Tikkurila's Board since 2008.

Positions of Trust:
Empower Oy, Member of the Board since 2007.
Kuusakoski Group Oy, Member of the Board since 2007.
Nokian Tyres plc, Chairman of the Board since 2006 and Member of the Board since 2005.
Terveystalo Healthcare Oyj, Member of the Board since 2006.
eQ Oyj, Member of the Board since 2005.
SE Mäkinen Logistics Oy, Member of the Board since 1995.
Haemopathy Research Foundation, Member of the Board since 1991.

Past Positions of Trust:
Perlos Oyj, Member of the Board, 2006–2007.
Rocla Oyj, Member of the Board, 1998–2005.

Career History:
Alteams Oy, Managing Director since 2007.
Onninen Oy, Managing Director, 2001–2005.
Ensto Oy, Managing Director, 1996–2001.
Nokia Cables Ltd, Managing Director, 1990–1996 and various positions 1973–1986.
Sako Oy, Managing Director, 1987–1990.

Kemira

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Contents

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

Board of Directors' Review 2008

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

KEY FIGURES AND RATIOS

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

* 12-month rolling average

Financial Performance for 2008

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

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

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

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

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

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

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

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

Financial Position and Cash Flows

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

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

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

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

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

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

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

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

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

Capital Expenditure

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

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

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

Strategy Update

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

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

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

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

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

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

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

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

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

Short-term Risks and Uncertainties

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

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

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

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

Research and Development

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

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

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

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

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

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

Environment and Safety

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

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

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

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

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

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

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

Human Resources

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

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

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

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

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

Business Areas

KEMIRA PULP&PAPER

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

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

* 12-month rolling average

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

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

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

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

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

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

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

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

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

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

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

KEMIRA WATER

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

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

* 12-month rolling average

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

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

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

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

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

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

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

KEMIRA SPECIALTY

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

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

* 12-month rolling average

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

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

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

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

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

KEMIRA COATINGS

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

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

* 12-month rolling average

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

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

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

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

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

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

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

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

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

Other Operations

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

Kemira Oyj Shares and Shareholders

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

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

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

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

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

Board of Directors and Auditors

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

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

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

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

AGM Decisions

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

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

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

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

Kemira Management Appointments

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

Management Boards of Kemira as of October 1, 2008

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

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

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

Changes in Group Structure

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

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

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

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

Parent Company's Financial Performance

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

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

Dividend Proposal

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

Outlook

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

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

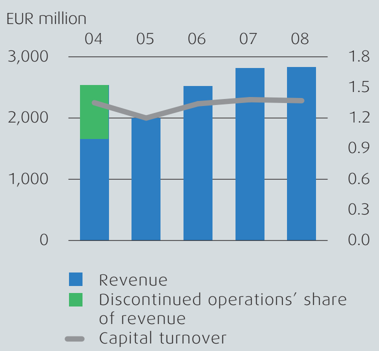
In many of Kemira's customer industries, the market situation is challenging. General economic trends are generating big uncertainty in customers' and Kemira's business operations. During the first quarter of the year, Kemira's revenue is expected to fall due to reduced demand amongst customer industries.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

Helsinki, February 24, 2009

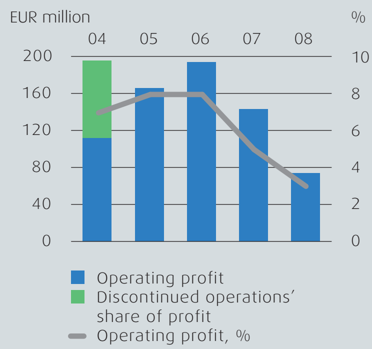
Board of Directors

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

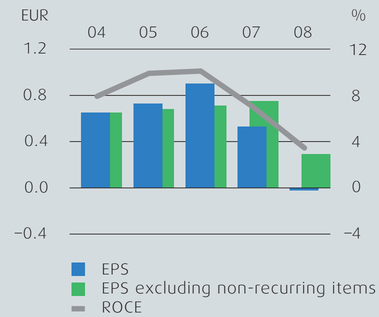
Revenue



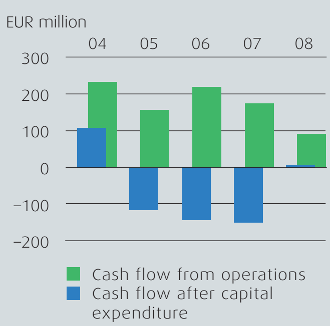
Operating Profit



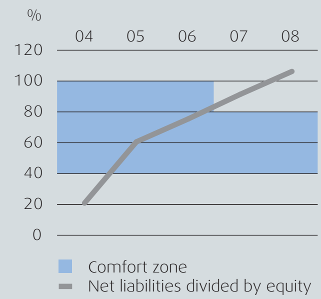
EPS/ROCE



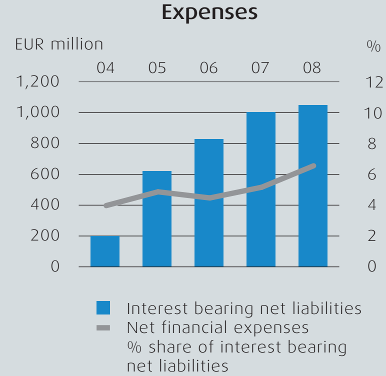
Cash Flows



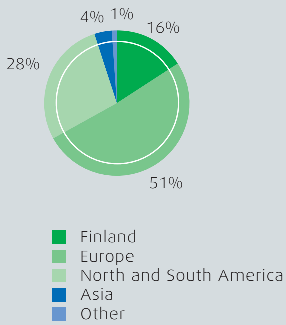
Gearing



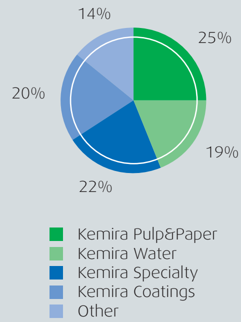
Net Liabilities and Financial Expenses



Revenue by Region

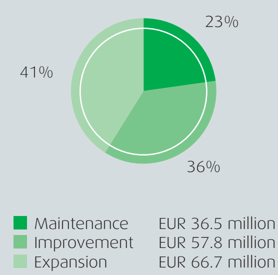


Capital Expenditure by Business Area*



* Excluding acquisitions

Capital Expenditure by Character*



* Excluding acquisitions

Group Key Figures

PER SHARE FIGURES

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

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

FINANCIAL FIGURES

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

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

Definitions of Key Figures

PER SHARE FIGURES

Earnings per share (EPS)

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

Cash flow from operations

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

Cash flow from operations per share

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

Dividend per share

$$\frac{\text{Dividends paid}}{\text{Number of shares at end of year}}$$

Dividend payout ratio

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

Dividend yield

$$\frac{\text{Dividend per share x 100}}{\text{Share price at end of year}}$$

Equity per share

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

Share price, year average

$$\frac{\text{Shares traded (EUR)}}{\text{Shares traded (volume)}}$$

Price per earnings per share (P/E)

$$\frac{\text{Share price at end of year}}{\text{Earnings per share (EPS)}}$$

Price per equity per share

$$\frac{\text{Share price at end of year}}{\text{Equity per share attributable to equity holders of the parent}}$$

Price per cash flow per share

$$\frac{\text{Share price at end of year}}{\text{Cash flow from operations per share}}$$

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 – money market investments – 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

$$\frac{\text{Operating profit + depreciation}}{\text{Net financial expenses}}$$

Return on investment (ROI), %

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

Return on equity (ROE), %

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

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

$$\frac{\text{Interest-bearing net liabilities}}{\text{Operating profit + depreciation}}$$

Net financial cost, %

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

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

Consolidated Income Statement (IFRS)

(EUR million)

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

Consolidated Balance Sheet (IFRS)

(EUR million)

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

Consolidated Cash Flow Statement (IFRS)

(EUR million)

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

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

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

Consolidated Statement of Changes in Equity

(EUR million)

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

Consolidated Statement of Changes in Equity

(EUR million)

Changes in share volume

In 1,000	Shares outstanding	Treasury shares	Total
Jan. 1, 2007	120,988	3,980	124,968
Options subscribed for shares	77	-	77
Treasury shares issued to Key employees	144	–144	-
Shares from the share-based arrangement given back	–19	19	-
Dec. 31, 2007	121,191	3,854	125,045
Jan. 1, 2008	**121,191**	**3,854**	**125,045**
Treasury shares issued to Key employees	**-**	**-**	**-**
Shares from the share-based arrangement given back	**-**	**-**	**-**
Dec. 31, 2008	**121,191**	**3,854**	**125,045**

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

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

Notes to Consolidated Financial Statements

1.

COMPANY PROFILE

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

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

The group's parent company is Kemira Oyj. The parent company is domiciled in Helsinki, Finland, and its registered address is Porkkalankatu 3, FI-00180 Helsinki, Finland. A copy of the consolidated financial statements approved for publication by the Board of Directors of Kemira Oyj at its meeting of February 24, 2009 is available for viewing at www.kemira.com.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

The consolidated financial statements have been prepared based on historical cost unless otherwise stated in the accounting policies below. Among the items measured at fair value are available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, and share-based payments on their grant date.

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

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

Subsidiaries

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

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

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

Associates

Associated companies are companies over which the Group exercises significant influence (shareholding of 20–50 percent). Holdings in associated companies are presented in the consolidated financial statements using the equity method. The Group's share of the associated companies' net profit for the financial year is stated as a separate item in the consolidated income statement, in proportion to the Group's holdings.

If the Group's share of an associate's losses exceeds the carrying amount of the investment, the exceeding losses will not be consolidated unless the Group has a commitment to fulfill obligations on behalf of the associate.

Joint Ventures

Joint ventures are companies over which the Group shares control with other parties. They are included in the consolidated financial statements line by line, using the proportionate consolidation method.

Foreign Subsidiaries

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

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

Items Denominated in Foreign Currency

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

Revenue

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

Revenue Recognition

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

Pension Obligations

The Group has various pension plans, in accordance with the local conditions and practices in the countries in which it operates. Pension plans are generally funded through contributions to separate pension funds or insurance companies. Contributions under defined contribution plans are recognized in the income statement for the period when an employee has rendered service.

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

Actuarial gains or losses are recorded over the average remaining working lives of the participating employees to the extent that they exceed the higher of the following: 10% of the pension obligation or 10% of the fair value of plan assets.

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

Share-based Payments

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

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

Borrowing Costs

Borrowing costs are expensed as incurred.

Income Taxes

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

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

Research and Development Expenditure

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

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

Property, Plant and Equipment and Intangible Assets

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

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

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

Goodwill is measured at cost less any impairment losses.

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

Government Grants

Government grants related to the purchase of PPE are presented in the balance sheet by deducting the grant from the carrying amount of these assets. These grants are recognized in the income statement in the form of smaller depreciation during the asset's useful life. Government grants related to research and development are deducted from expenses.

Leases

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

Upon their inception, finance lease assets are recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Finance leases are presented as part of non-current assets and interest-bearing liabilities. In respect of finance lease contracts, depreciation on the leased asset and interest expenses from the related liability are shown in the income statement.

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

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

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

Inventories

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

Financial Assets, Financial Liabilities and Derivative Contracts

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

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

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

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

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

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

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

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

Financial liabilities are classified as financial liabilities at fair value through profit or loss and other financial liabilities. Financial liabilities at fair value through profit and loss include derivatives not fulfilling the criteria set for hedge accounting.

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

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

Changes in the value of forward contracts are calculated by measuring the contracts against the forward exchange rates on the balance sheet date and comparing these with the countervalues calculated through the forward exchange rates on the date of entry into the forward contracts. The fair value of currency options is calculated using the Black & Scholes valuation model for options as adapted to Kemira's currency environment. The input data required for valuation, such as the exchange rate of the destination country's currency, the contract exchange rate, volatility and the risk-free interest rate are obtained from the Reuters system. Moreover, the fair value of interest rate derivatives is determined using the market value of similar instruments on the balance sheet date. Other derivatives are measured at the market price on the balance sheet date.

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

Other liabilities are booked to balance sheet at original value of received net assets deducted with direct costs. Later the financial liabilities are valued to balance sheet at amortized acquisition cost. The difference of received net assets and amortizations is booked to interest costs during the exercise period of the loan.

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

Hedge Accounting

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

Cash flow hedging is used to hedge against cash flow changes attributable to a particular risk associated with a recognized asset or liability in the balance sheet or a highly probable future transaction. Interest rate instruments are used as instruments in hedging cash flows. The Group applies only selected hedging items to its cash-flow hedge accounting, as specified by IAS 39. Changes in the fair value of derivative instruments associated with cash flow hedge are recognized in equity, provided that they fulfill the criteria set for hedge accounting and are based on effective hedging. The ineffective portion of the gain or loss on the hedging instrument is recognized under financial items in the income statement. Derivatives not fulfilling the hedge accounting criteria are recognized in financial items through profit or loss.

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

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

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

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

Treasury Shares

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

Provisions

Provisions are recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of this obligation can be made. A restructuring provision is recognized only if a detailed and appropriate plan has been prepared for it and the plan's implementation has begun or it has been notified to those whom the restructuring concerns. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation on the balance sheet date. If the time value of money is material, provisions will be discounted.

Non-current Assets Held for Sale and Discontinued Operations

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

Impairment of Assets

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

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

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

The recoverable amount of a customer segment is defined as its value in use, which consists of the discounted future cash flows to the unit. Estimates of future cash flows are based on continuing use of an asset and on the latest three-year forecasts by the business unit's management. The growth rate used to extrapolate cash flows subsequent to the forecast period is assumed to be zero. Cash flow estimates do not include the effects of improved asset performance, investments or future reorganizations. The Kemira Corporate Center's expenses are allocated to the strategic business units in proportion to revenue.

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

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

Emissions Allowances

Kemira holds assigned emissions allowances, under the EU emissions trading system, only at its Helsingborg site in Sweden. Kemira calculates its carbon dioxide allowances and provisions for emissions according to the current IFRS standards. Carbon dioxide allowances are accounted for as intangible assets measured at cost. Carbon dioxide allowances received free of charge are measured at their nominal value (zero). Provisions for the fulfillment of the obligation to return allowances must be recognized if free-of-charge allowances are not sufficient to cover actual emissions. Kemira's balance sheet shows no items related to emissions allowances when the volume of actual emissions is lower than that of the free-of-charge emissions allowances and the Group has not bought allowances in the market. Note 31 to the Consolidated Financial Statements, Environmental Risks and Liabilities, provides information on emissions allowances.

Key Assumptions and Policies; Necessity of Management Judgment

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

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

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

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

Recognizing provisions requires the management's estimates, since the precise euro amount of obligations related to provisions is not known when preparing the financial statements. For the recognition of tax losses and other deferred tax assets, the management assesses the probability of a future taxable profit against which unused tax losses and unused tax credits can be utilized. Actual profits may differ from the forecasts and, in such a case, the change will affect the taxes in future periods.

Changes to the Accounting Policies after December 31, 2008

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

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

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

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

Notes to Consolidated Financial Statements

(EUR million)

2. SEGMENT DATA

Business Segments

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

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

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

Notes to Consolidated Financial Statements

(EUR million)

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

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

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

(EUR million)

3. OTHER OPERATING INCOME

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

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

4. COST OF SALES

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

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

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

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

Fees and services of auditors
Fees payed for KPMG

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

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

(EUR million)

5. RESEARCH AND DEVELOPMENT EXPENSES

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

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

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

6. EMPLOYEE BENEFITS AND NUMBER OF PERSONNEL

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

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

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

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

(EUR million)

7. SHARE-BASED PAYMENTS

Stock Options under the Share Based Incentive Plan 2001

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

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

There were no outstanding stock options in 2008.

Share-based Incentive Plan

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

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

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

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

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

(EUR million)

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

8. DEPRECIATION AND IMPAIRMENTS

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

For more information on impairments see Note 14.

9. FINANCIAL INCOME AND EXPENSES

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

(EUR million)

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

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

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

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

(EUR million)

10. INCOME TAXES

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

Tax losses

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

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

11. EARNINGS PER SHARE

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

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

(EUR million)

12. INTANGIBLE ASSETS

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

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

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

(EUR million)

13. PROPERTY, PLANT AND EQUIPMENT

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

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

(EUR million)

Finance Lease Assets

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

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

14. IMPAIRMENT TESTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairments Recognized at December 31, 2008

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

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

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

Impairments recognized at December 31, 2007

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

There are four classes of impaired assets:

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

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

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

Notes to Consolidated Financial Statements

(EUR million)

15. INVESTMENTS

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

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

Associated companies are specified in Note 33.

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

Available for sale financial assets do not include listed shares.

16. INVENTORIES

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

(EUR million)

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

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

Notes to Consolidated Financial Statements

(EUR million)

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

The Group does not have investments in listed shares.
The carrying amount represents the maximum credit risk.
Other receivables and liabilities are financial assets at fair value through profit and loss or financial instruments under hedge accounting.

18. RECEIVABLES

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

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

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

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

19. RELATED PARTIES DISCLOSURE

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

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

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

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

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

(EUR million)

Management's Pension Commitments and Termination Benefits

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

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

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

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

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

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

Other Related Party Disclosure

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

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

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

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

(EUR million)

20. NON-CURRENT INTEREST-BEARING LIABILITIES

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

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

The Group has neither debentures nor convertible or other bonds.

(EUR million)

21. DEFERRED TAX LIABILITIES AND ASSETS

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

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

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

(EUR million)

22. PROVISIONS

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

23. CURRENT LIABILITIES

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

(EUR million)

24. FINANCE LEASE LIABILITIES – MATURITY

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

25. NET LIABILITIES

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

26. DEFINED BENEFIT PENSION PLANS

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

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

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

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

(EUR million)

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

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

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

(EUR million)

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

* Funds managed by insurance companies, under the defined benefit pension plan, form part of the investment assets of the insurance companies, which bear the associated investment risk. For this reason, more detailed information on the individual plans' asset allocation is not available.

The total expected long-term rate of return on plan assets is 5.0%. This rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

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

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

(EUR million)

27. SUPPLEMENTARY CASH FLOW INFORMATION

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

28. BUSINESS COMBINATIONS

2008: Nheel Quimica Ltda

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

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

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

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

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

(EUR million)

2008: Aggregate of Business Acquisitions

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

These business combinations are individually immaterial.

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

Effect of Business Combinations on Revenue and Profit

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

(EUR million)

2007: The Dalquim Coagulant Business

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

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

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

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

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

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

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

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

(EUR million)

2007: Aggregate of Other Business Acquisitions

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

These business combinations are individually immaterial.

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

Effect of Business Combinations on Revenue and Profit

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

(EUR million)

29. COLLATERAL AND CONTINGENT LIABILITIES

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

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

Major Off-balance Sheet Investment Commitments

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

Litigation

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

(EUR million)

30. DERIVATIVE INSTRUMENTS

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

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

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

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

(EUR million)

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

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

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

31. ENVIRONMENTAL RISKS AND LIABILITIES

The bulk of Kemira's business is in the chemical industry, whose products and operations are governed by numerous international agreements and regional and national legislation all over the world. The Group treats its environmental liabilities and risks in financial statements in accordance with IFRS and observes established internal principles and procedures.

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

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

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

Emissions Allowances

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

32. MANAGEMENT OF FINANCIAL RISKS

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

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

Foreign Exchange Risk

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

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

At the turn of 2008/2009, the foreign currency operative cash flow forecast for 2009 was EUR 121.8 million, 41% of which was hedged (the hedge ratio in 2007 was 63%). The hedge ratio is monitored daily. In hedging the total cash flow risk, a neutral level is achieved when 50% of the forecast net foreign currency cash flow is hedged. A minimum of 30% and a maximum of 100% of the forecast flow must always be hedged. A 10% fall in foreign exchange rates against the euro, based on the exchange rates quoted on the balance sheet date, and without hedging would reduce earnings before taxes by about EUR 4.6 million (2007: 6.3 million). Foreign exchange risk is also derived from the translation of income statement and balance sheet items into euros.

In hedging the net investment in its units abroad, Kemira monitors the equity ratio. In accordance with the Group's policy, Kemira must take equity hedging measures if a change of +/–5.0% in foreign exchange rates causes a change of more than 1.5 percentage points in the equity ratio.

Transaction and translation exposure

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

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

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

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

Interest Rate Risk

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

The duration of the Group's interest-bearing loan portfolio was 17 months at the end of 2008 (2007: 13 months). Excluding interest rate derivatives, the duration is 9 months (2007: 8 months). At the end of 2008, 47% of the Group's entire net debt portfolio, including derivatives and pension loans, consisted of fixed-interest borrowings (2007: 23%). Pension loans are classified as fixed rate loans. The net financing cost of the Group's loan portfolio stands at around 5.65% (2007: 5.2%). This figure is attained by dividing yearly net interest and other financing expenses excluding exchange rate differences and dividends by the average interest bearing net debt figure for the corresponding period. The most significant impact on the net financing cost arises from variation in the interest rate levels of the euro, the US dollar and the Swedish krona.

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

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

Time to interest rate fixing Dec. 31, 2008

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

Time to interest rate fixing Dec. 31, 2007

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

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

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

Price Risk

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

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

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

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

Credit and Counterparty Risk

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

Group Treasury approves the new banking relationships of subsidiaries. At present, there are 15 approved financial institution counterparties, all of which have a credit rating of at least A, based on Standard & Poor's credit rating information. A counterparty with a credit rating below A or an unrated counterparty requires the separate approval of the Board of Directors. The maximum risk assignable to the Group's financial institution counterparties on the balance sheet date amounted to EUR 94.4 million on the balance sheet date (2007: 20.3 million). Kemira monitors its counterparty risk on a monthly basis by defining the maximum risk associated with each counterparty, based on the market value of receivables. For each financial institution, Kemira has defined an approved limit. Credit risks associated with financing did not result in credit losses during the financial year.

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

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

Ageing of trade receivables

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

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

Liquidity and Refinancing Risks

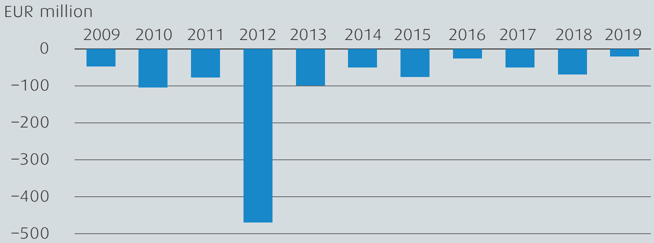
In order to safeguard its liquidity, the Group uses account overdrafts, money market investments and a revolving credit facility. The Group's cash and cash equivalents at the end of 2008 stood at EUR 119.3 million (2007: 52.6 million), of which short-term and long-term investments accounted for EUR 87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

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

In accordance with the Group Treasury policy, the average maturity of outstanding loans should always be at least 3 years. The Group must have committed credit facilities to cover planned funding needs, the current portion of long term debt, commercial paper borrowings and other uncommitted short-term loans. Moreover, the maturity profile of the long term debt portfolio and refinancing should be planned so that a maximum of 30% of the total debt portfolio will mature during the next 12 month period. The average maturity of debt at the end of 2008 was 4.4 years.

The Group has a EUR 600 million domestic commercial paper program enabling it to issue commercial papers with a maximum maturity of one year. At the end of 2008 the amount raised from commercial paper markets was EUR 116.2 million. Simultaneously the group had EUR 87.1 million of outstanding liquid short- and long-term investments. In addition, it has concluded a five-year revolving credit agreement for a nominal amount of EUR 750 million. At the turn of the year 2008/2009, EUR 395.5 million of this revolving credit facility was in use (2007: 166.7 million). The revolving credit facility allows for borrowing at terms specified in the original agreement

Maturity split of net debt



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

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

Capital Structure Management

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

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

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

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

Cash and cash equivalents

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

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

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

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

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

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

(EUR million)

Cash flow from all financial liabilities

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

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

* Interest rate swaps, currency swaps and electricity forwards

(EUR million)

33. ASSOCIATED COMPANIES

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

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

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

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

34. JOINT VENTURES

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

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

35. CHANGES IN GROUP STRUCTURE IN 2008

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

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

Divestments of Group companies

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

Changes in holdings in Group companies within the Group

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

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

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

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

37. EVENTS AFTER THE BALANCE SHEET DATE

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

Kemira Oyj Income Statement (FAS)

(EUR million)

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

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

Kemira Oyj Balance Sheet (FAS)

(EUR million)

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

Kemira Oyj Cash Flow Statement (FAS)

(EUR million)

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

Kemira Oyj Statement of Changes in Equity (FAS)

(EUR million)

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

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

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

Shares and Shareholders

Shares and Share Capital

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

Shareholders

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

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

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

Listing and Share Trading

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

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

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

Dividend Policy and Dividend Payment

Kemira aims to distribute a dividend that accounts for 40–60% of its operative net income.

The company's Board of Directors will propose to the Annual General Meeting that a per-share dividend of EUR 0.25 be paid for the financial year 2008, accounting for a dividend payout of 86% of operative net income. Dividend record date is April 15, 2009 and payout April 22, 2009.

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

Board Authorizations

The Annual General Meeting on March 19, 2008 authorized the Board to decide on the repurchase of a maximum of 2,397,515 treasury shares. Shares will be repurchased by using unrestricted equity either through a direct offer with equal terms to all shareholders at a price determined by the Board of Directors, or otherwise than in proportion to the existing shareholdings of the Company's shareholders in public trading on the NASDAQ OMX Helsinki Oy ("Stock Exchange") at the market price quoted at the time of the repurchase. Shares will be acquired and paid for in accordance with the Rules of Stock Exchange and Euroclear Finland Ltd. Shares will be repurchased to be used in implementing or financing mergers and acquisitions, developing the Company's capital structure, improving the liquidity of the Company's shares or implementing the Company's share-based incentive plan. For the purposes mentioned above, the Company may retain, transfer or cancel the shares. The Board of Directors will decide on other terms related to the share repurchase. The authorization will remain valid until the end of the next Annual General Meeting. The Board had not exercised its authorization by December 31, 2008.

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

Management Share-based Incentive Plan

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

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

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

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

Management Shareholding

The members of the Board of Directors as well as the President and CEO and his Deputy held 849 729 Kemira Oyj shares on December 31, 2008, or 0,68% (0.58%) of all outstanding shares and voting rights (including treasury shares and shares held by the related parties and controlled corporations). Harri Kerminen, President and CEO, held 17,167 shares on December 31, 2008 (17,167). Board members are not covered by the share-based incentive plan.

Members of the Management Boards, excluding the President and CEO and his Deputy, held a total of 39,122 shares on Decem-ber 31, 2008, representing 0,03% of all outstanding shares and voting rights (including treasury shares and shares held by the related parties and controlled corporations).

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

Shares and Shareholders

Largest Shareholders, December 31, 2008

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

Shareholding by Number of Shares Held December 31, 2008

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

Board Proposal for Profit Distribution

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

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

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

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

Helsinki, February 24, 2009

Pekka Paasikivi

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

Harri Kerminen
CEO

Auditors’ Report

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

To the Annual General Meeting of Kemira Oyj

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

The Responsibility of the Board of Directors and the President and CEO

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

Auditors’ Responsibility

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

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

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

Opinion on the Consolidated Financial Statements

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

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

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

Opinion on the Discharge from Liability and Disposal of Distributable Funds

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

Helsinki, February 24, 2009
KPMG OY AB

Pekka Pajamo
Authorized Public Accountant

Quarterly Earnings Performance

(EUR million)

(The figures are unaudited)

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

Information for Investors

Basic Share Information

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

Financial Reports

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

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

Kemira publishes its Interim Reports, press releases, Annual Reports and Environmental Report on its website at www.kemira.com. On this site, visitors can register to receive press releases by e-mail and order the company's Annual Reports. Annual Reports can also be ordered from Kemira Oyj, Group Communications, tel. +358 10 8611.

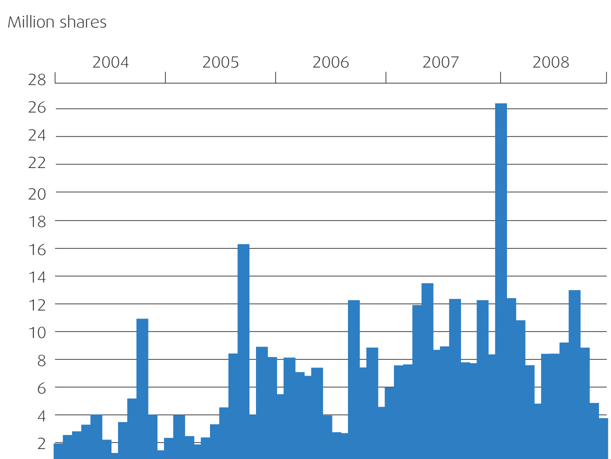
Investor Relations

The purpose of Kemira's investor relations is to provide capital markets with information on the company and its operating environment, and to serve Kemira's shareholders and other operators in the capital markets. In these activities, the objective is to provide reliable and up-to-date information on a regular and equal basis in order to give those operating in the markets a factual view of Kemira as an investment.

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

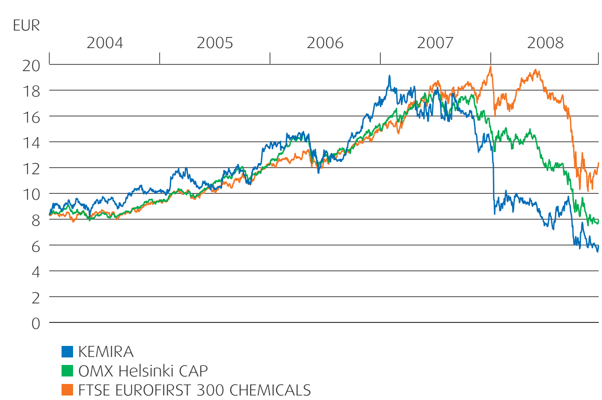
The company observes a 30-day closed period before it publishes its financial statements bulletin and interim reports. During this period, Kemira's management is not available for meetings with capital market representatives.

Monthly Trading Volume on the NASDAQ OMX Helsinki 2004–2008



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

Share Price 2004–2008



Information for Investors

Investment Analysis

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

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

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

Annual General Meeting

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

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

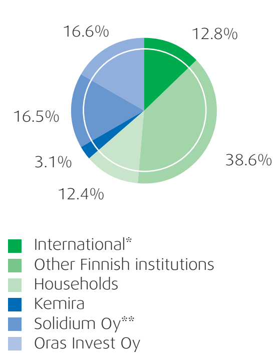
Shareholders wishing to attend the meeting must give notification of their intention to attend by 4 pm Finnish time on April 3, 2009, using one of the following means:

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

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

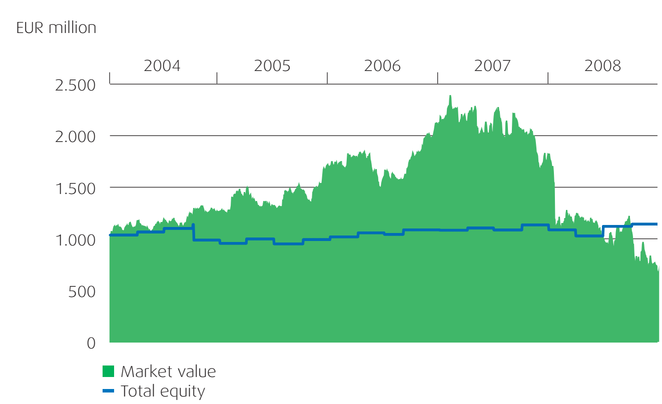
Any shareholder has the right to submit an issue pertaining to the Company's industry and a statutory issue for discussion by the shareholders' meeting, if (s)he requests this in writing from the Board of Directors well in advance, so that the issue can be incorporated into the Notice of Meeting. Kemira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

Ownership Dec. 31, 2008

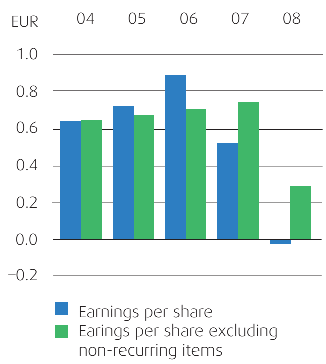


* Including nominee-registered institutions.
** Solidium Oy (entirely state-owned)

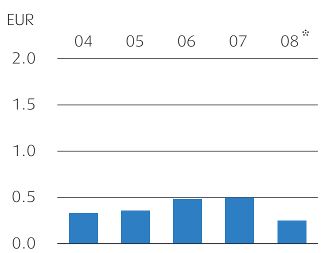
Market Value 2004–2008



Earnings per Share, EPS



Dividend per Share



* Board of Directors' dividend proposal 2008

Dividend Payments

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

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

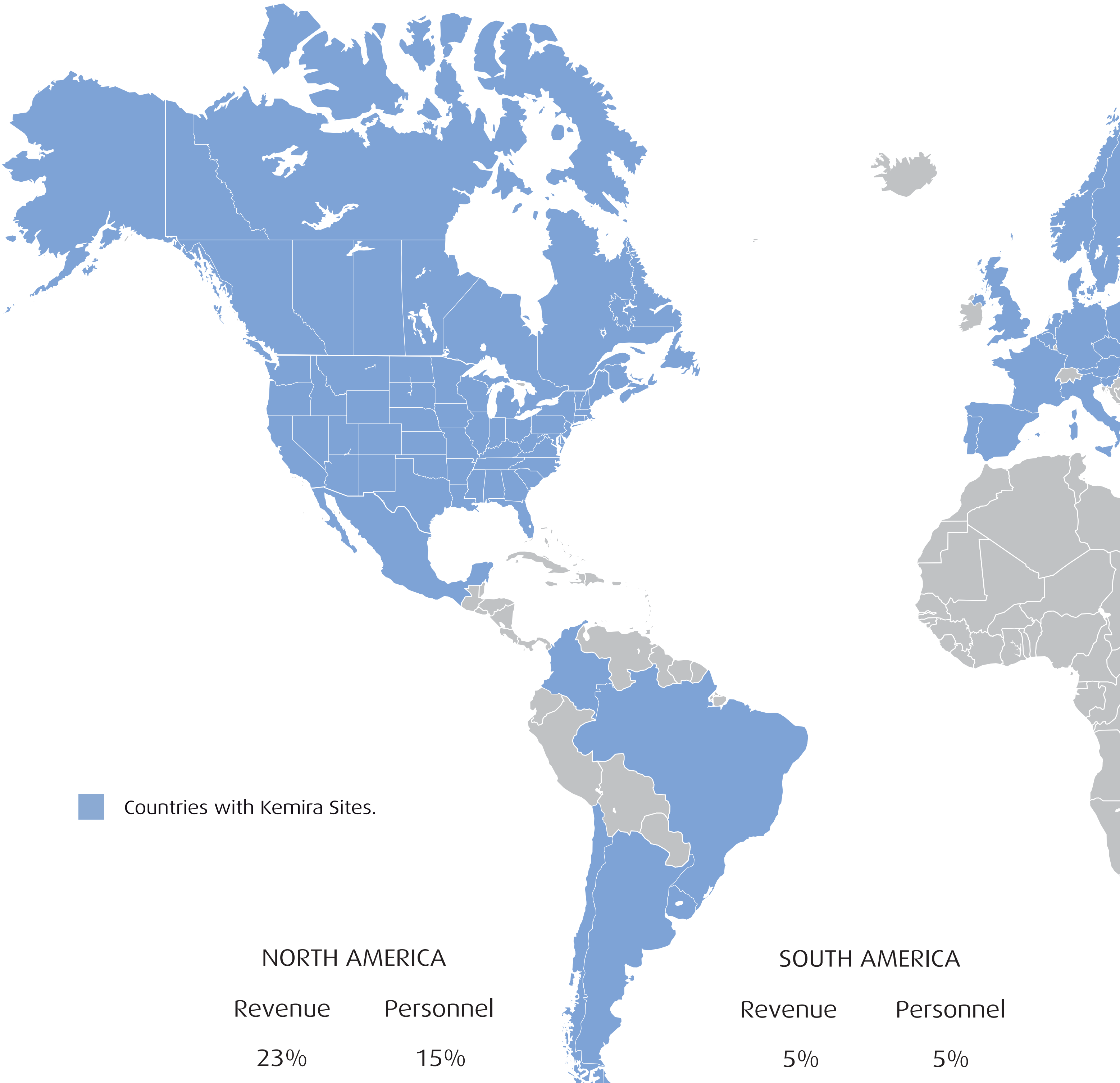
Change of Address

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

Investor Relations

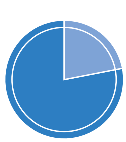
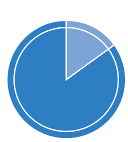
Päivi Antola, Senior Manager, Investor Relations and Financial Communications
Tel. +358 10 862 1140, e-mail: paivi.antola@kemira.com

Global Kemira



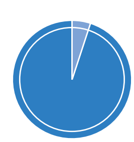
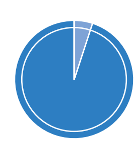
NORTH AMERICA

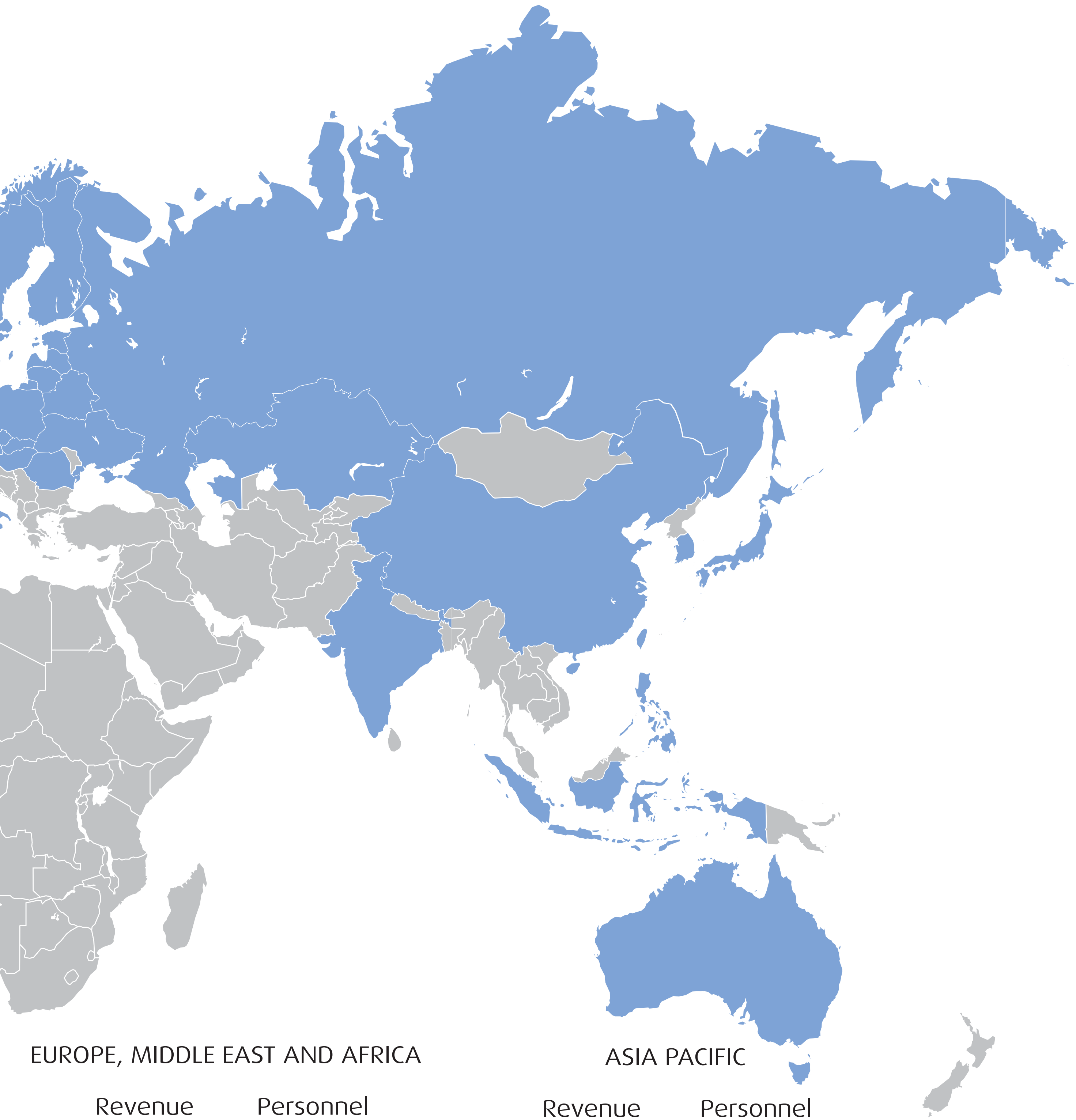
Revenue	Personnel
23%	15%

SOUTH AMERICA

Revenue	Personnel
5%	5%

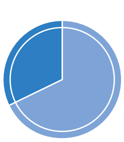
 



EUROPE, MIDDLE EAST AND AFRICA

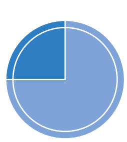
Revenue

68%



Personnel

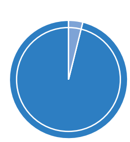
75%



ASIA PACIFIC

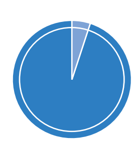
Revenue

4%



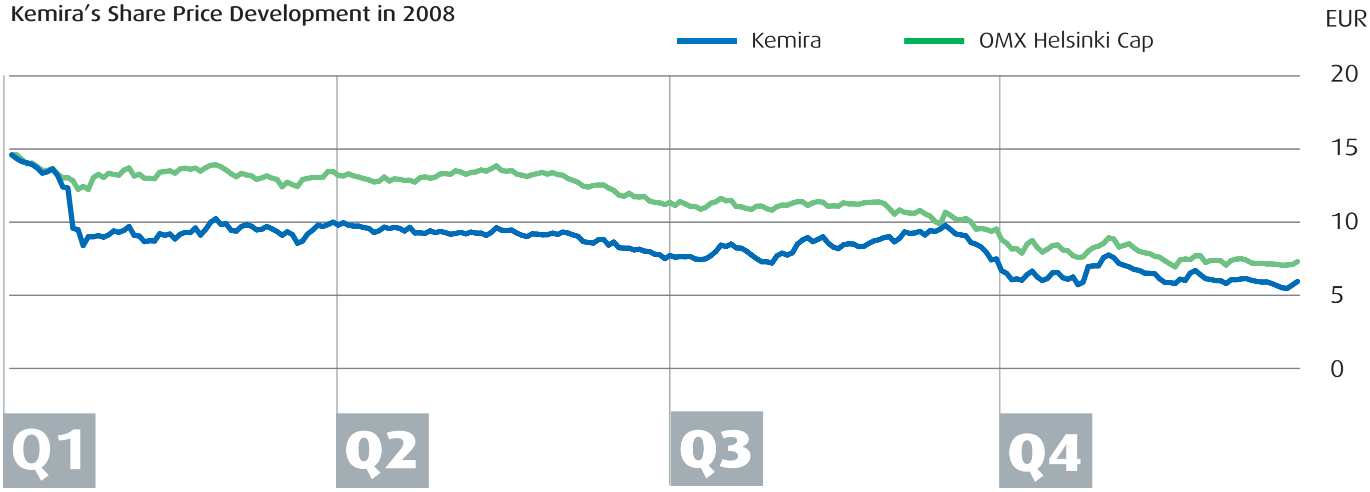
Personnel

5%



Major Events

Kemira's Share Price Development in 2008



January–March 2008

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

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

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

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

April–June 2008

April 15
Asian Technology Center was inaugurated.

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

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

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

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

July–September 2008

July 24
Kemira increased its formic acid capacity in Oulu.

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

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

September 1
Kemira and Rockwood TiO2 joint venture was confirmed.

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

October–December 2008

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

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

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

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

Kemira Oyj

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