

KEMIRA GROUP

The figures are unaudited.

Based on IFRS and IAS 34 (Interim Financial Reporting), this Interim Report has been prepared in compliance with recognition and measurement principles under IAS 34 and the accounting policies described in the Annual Report.

Kemira has adopted revised business-area-specific accounting practice applying to companies with several business areas using products from the same production site. This change simplifies the treatment of joint products by shifting from intra-Group sale to shared product costs. In addition, some production and service units have been transferred between business areas. These changes will have an effect on segment information by business area but not on Group-level figures. Business-area comparatives for 2005 have been adjusted to match this new accounting practice.

INCOME STATEMENT	EUR million	1-3/2006	1-3/2005	2005
Revenue		552.9	403.7	1,994.4
Other income from operations		7.8	5.2	69.3
Expenses		-485.8	-351.9	-1,779.3
Depreciation		-29.4	-26.7	-118.9
Operating profit		45.5	30.3	165.5
Financial income and expenses		-7.1	-3.4	-30.5
Income from associates		-0.9	-0.2	-1.5
Profit before tax		37.5	26.7	133.5
Income tax		-10.9	-7.5	-42.1
Net profit for the period		26.6	19.2	91.4
Attributable to:				
Equity holders of the parent		25.8	18.2	88.5
Minority interest		0.8	1.0	2.9
Net profit for the period		26.6	19.2	91.4

KEY FIGURES	1-3/2006	1-3/2005	2005
Earnings per share, basic and diluted, EUR	0.21	0.15	0.73
Cash flow from operations per share, EUR	-0.17	-0.22	1.29
Capital expenditure, EUR million	57.5	20.3	401.9
Capital expenditure / revenue, %	10.4	5.0	20.2
Average number of shares (1000), basic *)	120,759	120,431	120,628
Average number of shares (1000), diluted *)	121,028	120,838	121,024
Number of shares at the end of the period (1000), basic *)	120,861	120,680	120,714
Number of shares at the end of the period (1000), diluted *)	121,033	121,089	121,057
Equity per share, attributable to equity holders of the parent, EUR	8.62	8.03	8.33
Equity ratio, %	42.4	43.7	43.8
Gearing, %	65.4	24.8	60.8
Net liabilities, EUR million	690.6	248.0	619.7
Personnel (average)	8,357	7,120	7,717

*) Number of shares outstanding, adjusted by the number of shares bought back.

REVENUE BY BUSINESS AREA	EUR million	1-3/2006	1-3/2005	2005
Pulp & Paper Chemicals		209.5	137.7	715.3
Kemwater		92.3	79.6	353.2
Performance Chemicals		118.6	76.0	408.4
Paints & Coatings		118.6	99.1	457.5
Other and Intra-Group sales		13.9	11.3	60.0
Total Group		552.9	403.7	1,994.4
OPERATING PROFIT BY BUSINESS AREA		1-3/2006	1-3/2005	2005
Pulp & Paper Chemicals		26.0	11.2	61.5
Kemwater		6.4	5.4	28.2
Performance Chemicals		11.3	8.5	45.4
Paints & Coatings		9.6	8.4	55.9
Other and eliminations		-7.8	-3.2	-25.5
Total Group		45.5	30.3	165.5

BALANCE SHEET

EUR million

ASSETS	31.3.2006	31.12.2005
Non-current assets		
Goodwill	561.8	558.1
Other intangible assets	88.9	70.9
Property, plant and equipment	858.0	864.9
Holdings in associates	8.3	9.2
Available-for-sale investments	83.6	83.7
Deferred tax assets	7.3	6.8
Defined benefit pension receivables	15.3	15.3
Other investments	7.3	7.7
Total non-current assets	1,630.5	1,616.6
Current assets		
Inventories	226.5	219.2
Receivables		
Interest-bearing receivables	6.7	7.0
Interest-free receivables	504.1	431.8
Total receivables	510.8	438.8
Short-term investments	79.7	28.3
Cash and cash equivalents	28.3	28.0
Total current assets	845.3	714.3
Non-current assets held for sale	22.5	-
Total assets	2,498.3	2,330.9

EQUITY AND LIABILITIES	31.3.2006	31.12.2005
Equity attributable to equity holders of the parent	1,042.4	1,005.5
Minority interest	15.2	13.7
Total equity	1,057.6	1,019.2
Non-current liabilities		
Interest-bearing non-current liabilities	452.0	404.0
Deferred tax liabilities	109.1	100.5
Pension liabilities	55.1	55.4
Provisions	93.9	94.6
Total non-current liabilities	710.1	654.5
Current liabilities		
Interest-bearing current liabilities	346.6	272.0
Interest-free current liabilities	355.8	356.7
Provisions	27.6	28.5
Total current liabilities	730.0	657.2
Liabilities directly associated with non-current assets classified as held for sale	0.6	-
Total liabilities	1,440.7	1,311.7
Total equity and liabilities	2,498.3	2,330.9

Non-current assets held for sale include a Stockholm-based real estate company's assets and US-based factory sites.
Liabilities directly associated with non-current assets held for sale belong to the Stockholm-based real estate company.

CONSOLIDATED CASH FLOW STATEMENT	EUR million	1-3/2006	1-3/2005	2005
Cash flows from operating activities				
Adjusted EBIT	59.5	37.7	258.3	
Interests	-6.1	-4.5	-31.2	
Dividend income	0.9	1.2	5.5	
Other financing items	1.6	-0.2	-24.5	
Income taxes paid	-10.6	-4.9	-45.5	
Total funds from operations	45.3	29.3	162.6	
Change in net working capital	-65.6	-55.3	-7.0	
Total cash flows from operating activities	-20.3	-26.0	155.6	
Cash flows from investing activities				
Capital expenditure	-57.5	-20.3	-401.9	
Proceeds from sale of assets	6.0	2.8	131.5	
Net cash used in investing activities	-51.5	-17.5	-270.4	
Cash flow after investing activities	-71.8	-43.5	-114.8	
Cash flows from financing activities				
Change in long-term loans (increase +, decrease -)	48.1	65.4	-370.8	
Change in long-term loan receivables (increase -, decrease +)	0.7	0.6	5.8	
Short-term financing, net (increase +, decrease -)	74.1	147.4	191.1	
Dividends paid	0.0	-0.7	-43.2	
Other	0.6	-1.4	3.3	
Net cash used in financing activities	123.5	211.3	-213.8	
Net change in cash and cash equivalents	51.7	167.8	-328.6	
Cash and cash equivalents at end of period	108.0	552.7	56.3	
Cash and cash equivalents at beginning of year	56.3	384.9	384.9	

Net change in cash and cash equivalents	51.7	167.8	-328.6
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STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent									Total
	Share capital	Share issue	Capital paid in excess of par value	Other reserves	Fair value reserve	Exchange differences	Treasury shares	Retained earnings	Minority interests	
Shareholders' equity at January 1, 2005	220.7	0.1	257.5	2.8	49.0	-47.4	-28.2	473.3	28.2	956.0
Net profit for the financial year	-	-	-	-	-	0.1	-	18.2	1.0	19.3
Dividends paid to minority	-	-	-	-	-	-	-	-	-0.7	-0.7
Shares available for sale - change in valuation	-	-	-	-	10.0	-	-	-	-	10.0
Treasury shares issued to target group	-	-	-	-	-	-	0.7	-0.7	-	0.0
Options subscribed for shares	0.1	0.4	0.3	-	-	-	-	-	-	0.8
Exchange differences	-	-	-	-	-	6.3	-	-	1.0	7.3
Hedge of net investments in foreign entities	-	-	-	-	-	-	-	-2.6	-	-2.6
Cash flow hedging: amount entered in shareholders' equity	-	-	-	-	1.1	-	-	-	-	1.1
Transfer between restricted and non restricted equity	-	-	-	0.1	-	-	-	-0.1	-	0.0
Emission rights - valuation	-	-	-	-	7.4	-	-	-	-	7.4
Share-based compensation	-	-	-	-	-	-	-	0.1	-	0.1
Donations	-	-	-	-	-	-	-	-0.1	-	-0.1
Other changes	-	-	-	-	-	-	-	0.3	-0.4	-0.1
Shareholders' equity at March 31, 2005	220.8	0.5	257.8	2.9	67.5	-41.0	-27.5	488.4	29.1	998.5
Shareholders' equity at January 1, 2006	221.3	-	257.8	2.8	64.3	-33.9	-27.5	520.7	13.7	1,019.2
Net profit for the financial year	-	-	-	-	-	-	-	25.8	0.8	26.6
Treasury shares issued to target group	-	-	-	-	-	-	0.7	-0.7	-	0.0
Options subscribed for shares	-	0.1	-	-	-	-	-	-	-	0.1
Exchange differences	-	-	-	-0.1	-	-2.6	-	-	0.2	-2.5
Hedge of net investments in foreign entities	-	-	-	-	-	2.3	-	-	-	2.3
Cash flow hedging: amount entered in shareholders' equity	-	-	-	-	11.5	-	-	-	-	11.5
Acquired minority interest	-	-	-	-	-	-	-	-	0.3	0.3
Transfer between restricted and non restricted equity	-	-	-	0.4	-	-	-	-0.4	-	0.0
Other changes	-	-	-	-	-	-	-	-0.2	0.2	0.0
Shareholders' equity at March 31, 2006	221.3	0.1	257.8	3.1	75.8	-34.2	-26.8	545.2	15.2	1,057.5

At the start of the year 2005 there were 4,087,760 treasury shares. Of the shares that were granted in connection with share-based incentive plan 5,680 were returned to Kemira in 2006. 116,610 shares were issued to key persons based on the incentive plan.

Kemira had in its possession 3,976,830 of its treasury shares at March 31, 2006. Their average acquisition share price was EUR 6.73 and proportion of the share capital 3.2%. They represented 3.2% of the aggregate number of votes conferred by all the shares.

CONTINGENT LIABILITIES	EUR million	31.3.2006	31.12.2005
Mortgages		64.1	74.9
Assets pledged			
On behalf of own commitments		19.5	17.5
Guarantees			
On behalf of own commitments		6.1	
On behalf of associates		59.5	61.5
On behalf of others		69.5	4.2
Operating leasing liabilities			
Maturity within one year		11.3	12.3
Maturity after one year		112.3	111.9
Other obligations			
On behalf of own commitments		0.3	
On behalf of associates		2.5	2.5

Litigation

The Group has extensive international operations and is involved in a number of legal proceedings incidental to those operations. The most material proceedings currently pending include an arbitration case relating to sale of US pigments companies in 2000 and the Statement of Objections from EU Commission received at the end of January 2005 relating to hydrogen peroxide and its downstream products.

Kemira Oyj was informed 3 May, 2006 that the European Commission has set a fine of EUR 33 million for antitrust activity in the company's hydrogen peroxide business. Provisions made by the company are adequate to cover for the fine set by the Commission. The Group does not expect the outcome of any such legal proceedings currently pending to have materially adverse effect upon the Group's consolidated future result of operations taking into account provisions.

Kemira Chemicals, Inc. has received a grand jury subpoena seeking documents in connection with an investigation by the United States Department of Justice Antitrust Division relating to the hydrogen peroxide business in the US. Kemira Oyj and Kemira Chemicals, Inc. have recently been named in class action lawsuits filed in US federal and state courts by direct and indirect purchasers of hydrogen peroxide and persalts. In these civil actions it is alleged that the US plaintiffs suffered damages resulting from a cartel among hydrogen peroxide and persalts suppliers. The existence of the European Commission's investigation is relied upon in support of the allegations, but Kemira Oyj and Kemira Chemicals, Inc. have not been informed of any allegation that relates specifically to the US market. Class actions have also been initiated in Canada against Kemira Oyj, Kemira Chemicals, Inc. and Kemira Chemicals Canada, Inc. alleging plaintiffs suffered damages resulting from a cartel among hydrogen peroxide and persalts suppliers. Kemira Oyj, Kemira Chemicals Inc. and Kemira Chemicals Canada, Inc. have not been informed of any allegation that relates specifically to the Canadian market.

DERIVATIVE INSTRUMENTS	EUR million		31.12.2005	
	31.3.2006		Nominal value	Fair value
	Nominal value	Fair value		
Currency instruments				
Forward contracts	475.6	0.3	314.7	-5.4
of which hedges of net investment in a foreign operation	19.6	0.7	24.7	-3.1
Currency options				
Bought	126.9	-0.2	94.1	-0.3
Sold	138.4	0.3	111.2	-0.6
Currency swaps	120.4	0.8	121.9	-0.1
Interest rate instruments				
Interest rate swaps	123.4	4.6	160.4	2.9
of which cash flow hedge	76.9	4.4	69.6	3.3
Interest rate options				
Bought	10.0	0.0	10.0	0.0
Sold	15.0	-0.1	15.0	-0.2
Forward rate agreements	0.0	0.0	0.0	0.0
of which open	-	-	-	-
Bond futures	10.0	0.0	10.0	-0.1
of which open	10.0	0.0	10.0	-0.1
Electricity forward contracts	GWh	Fair value	GWh	Fair value
Electricity forward contracts	1,689.9	31.8	1884.0	17.3
of which cash flow hedge	1,689.9	31.8	1884.0	17.3

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

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

BUSINESS COMBINATIONS

Ooo Kraski Teks

Responsible for the paints and coatings business of the Kemira Group, Tikkurila acquired Ooo Kraski Teks, one of the largest players in the Russian decorative paints market, on February 3, 2006. Tikkurila and Ooo Kraski Teks will together form a strong player in the rapidly expanding Russian decorative paints market. Through this acquisition, Tikkurila increased its market share to 20% and achieved a clear position as a market leader. Tikkurila's portfolio can now offer strong brands in all price segments.

With a debt-free price of EUR 33 million, the acquisition was paid in cash and financed using group's existing financing agreements. Of the purchase price, EUR 19.8 million at fair value was allocated to trademarks under intangible assets, EUR 3.8 million to buildings under PPE and the related deferred tax liabilities of around EUR 5.6 million were recognized under goodwill. Using the Relief-from-Royalty method, the fair value of trademarks was determined by the present value of avoided royalty payments. The building's fair value is based on external expert opinions.

	Fair values recorded on business combination	Carrying amounts prior to business combination
Intangible assets, trademarks	19.8	
Property, plant and equipment	9.4	5.6
Inventories	3.6	3.6
Trade receivables and other receivables	3.1	3.1
Cash and cash equivalents	1.5	1.5
Total assets	37.4	13.8
Interest bearing current liabilities	11.1	11.1
Other liabilities	2.9	2.9
Deferred tax liabilities	5.6	
Total liabilities	19.6	14.0
Net assets	17.8	-0.2
Cost of business combination (net)	23.4	
Goodwill	5.6	

In February-March 2006, Kraski Teks posted revenue of EUR 9.8 million and an operating profit of EUR 0.0.

Other issues

In January 1-March 31, 2006, Finnish Chemicals and Kemira ChemSolutions b.v (formerly Verdugt), both acquired in April 2005, reported revenue of EUR 60.1 million and EUR 34.8 million, respectively. For the same period a year ago, these companies' revenues were not yet included in Kemira Group revenue.