

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 January 1, 2006 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	7-9/2006	7-9/2005	1-9/2006	1-9/2005	2005
Revenue		652.6	543.0	1,853.0	1,472.9	1,994.4
Other income from operations		20.1	4.6	41.6	15.6	69.3
Expenses		-567.1	-457.6	-1,632.6	-1,271.3	-1,779.3
Depreciation		-30.5	-30.8	-89.9	-88.1	-118.9
Operating profit		75.1	59.2	172.1	129.1	165.5
Financial income and expenses		-11.6	-6.6	-24.5	-22.3	-30.5
Income from associates		0.3	-0.8	-1.2	-0.2	-1.5
Profit before tax		63.8	51.8	146.4	106.6	133.5
Income tax		-17.9	-17.7	-41.9	-34.1	-42.1
Net profit for the period		45.9	34.1	104.5	72.5	91.4
Attributable to:						
Equity holders of the parent		45.0	33.4	101.8	69.8	88.5
Minority interest		0.9	0.7	2.7	2.7	2.9
Net profit for the period		45.9	34.1	104.5	72.5	91.4

KEY FIGURES	7-9/2006	7-9/2005	1-9/2006	1-9/2005	2005
Earnings per share, basic and diluted, EUR	0.37	0.28	0.84	0.58	0.73
Cash flow from operations per share, EUR	0.66	0.79	0.89	0.71	1.29
Capital expenditure, EUR million	43.1	26.5	204.9	363.5	401.9
Capital expenditure / revenue, %	6.6	4.9	11.1	24.7	20.2
Average number of shares (1000), basic *)	120,934	120,696	120,853	120,603	120,628
Average number of shares (1000), diluted *)	121,043	121,090	121,043	121,003	121,024
Number of shares at the end of the period (1000), basic *)	120,931	120,703	120,931	120,703	120,714
Number of shares at the end of the period (1000), diluted *)	121,046	121,094	121,046	121,094	121,057
Equity per share, attributable to equity holders of the parent, EUR			8.87	8.11	8.33
Equity ratio, %			42.3	42.4	43.8
Gearing, %			65.6	73.3	60.8
Net liabilities, EUR million			712.6	727.2	619.7
Personnel (average)			9,117	7,727	7,717

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

REVENUE BY BUSINESS AREA	EUR million	7-9/2006	7-9/2005	1-9/2006	1-9/2005	2005
Pulp & Paper Chemicals		261.9	202.5	729.3	506.3	715.3
Kemwater		101.7	92.5	296.1	262.0	353.2
Performance Chemicals		112.8	104.2	339.0	289.3	408.4
Paints & Coatings		164.6	129.9	453.5	367.2	457.5
Other and Intra-Group sales		11.6	13.9	35.1	48.1	60.0
Total Group		652.6	543.0	1,853.0	1,472.9	1,994.4
OPERATING PROFIT BY BUSINESS AREA		7-9/2006	7-9/2005	1-9/2006	1-9/2005	2005
Pulp & Paper Chemicals		24.3	23.1	70.7	40.6	61.5
Kemwater		9.0	8.0	25.0	21.3	28.2
Performance Chemicals		11.7	11.7	34.7	29.2	45.4
Paints & Coatings		39.0	20.6	73.6	49.1	55.9
Other and eliminations		-8.9	-4.2	-31.9	-11.1	-25.5
Total Group		75.1	59.2	172.1	129.1	165.5

BALANCE SHEET

EUR million

ASSETS	30.9.2006	31.12.2005
Non-current assets		
Goodwill	570.5	558.1
Other intangible assets	92.9	70.9
Property, plant and equipment	850.0	864.9
Holdings in associates	8.3	9.2
Available-for-sale investments	83.2	83.7
Deferred tax assets	6.3	6.8
Defined benefit pension receivables	15.3	15.3
Other investments	19.2	7.7
Total non-current assets	1,645.7	1,616.6
Current assets		
Inventories	252.1	219.2
Receivables		
Interest-bearing receivables	8.6	7.0
Interest-free receivables	567.5	431.8
Total receivables	576.1	438.8
Money market investments - cash equivalents	25.5	28.3
Bank and cash	66.5	28.0
Total current assets	920.2	714.3
Non-current assets held for sale	2.5	-
Total assets	2,568.4	2,330.9
EQUITY AND LIABILITIES	30.9.2006	31.12.2005
Equity attributable to equity holders of the parent	1,072.9	1,005.5
Minority interest	13.6	13.7
Total equity	1,086.5	1,019.2
Non-current liabilities		
Interest-bearing non-current liabilities	481.5	404.0
Deferred tax liabilities	99.3	100.5
Pension liabilities	62.3	55.4
Provisions	57.9	94.6
Total non-current liabilities	701.0	654.5
Current liabilities		
Interest-bearing current liabilities	323.2	272.0
Interest-free current liabilities	433.2	356.7
Provisions	24.5	28.5
Total current liabilities	780.9	657.2
Total liabilities	1,481.9	1,311.7
Total equity and liabilities	2,568.4	2,330.9

Non-current assets held for sale include US-based factory sites.

CONSOLIDATED CASH FLOW STATEMENT	EUR million	7-9/2006	7-9/2005	1-9/2006	1-9/2005	2005
Cash flows from operating activities						
Adjusted operating profit		61.1	85.9	200.0	201.2	258.3
Interests		-3.3	-8.0	-18.5	-22.0	-31.2
Dividend income		0.1	0.6	1.9	5.3	5.5
Other financing items		-5.6	-11.9	-5.1	-20.7	-24.5
Income taxes paid		-6.9	-7.5	-24.8	-32.1	-45.5
Total funds from operations		45.4	59.1	153.5	131.7	162.6
Change in net working capital		34.4	36.1	-45.4	-45.9	-7.0
Total cash flows from operating activities		79.8	95.2	108.1	85.8	155.6
Cash flows from investing activities						
Capital expenditure		-43.1	-26.5	-204.9	-363.5	-401.9
Proceeds from sale of assets		30.4	3.2	64.2	56.0	131.5
Net cash used in investing activities		-12.7	-23.3	-140.7	-307.5	-270.4
Cash flow after investing activities		67.1	71.9	-32.6	-221.7	-114.8
Cash flows from financing activities						
Change in long-term loans (increase +, decrease -)		29.7	-50.7	73.5	-268.8	-370.8
Change in long-term loan receivables (increase -, decrease +)		-0.3	-0.8	0.4	-0.7	5.8
Short-term financing, net (increase +, decrease -)		-115.7	-43.4	23.9	184.7	191.1
Dividends paid		-0.1	-0.9	-45.2	-43.0	-43.2
Other		1.1	9.2	15.8	11.6	3.3
Net cash used in financing activities		-85.3	-86.5	68.4	-116.2	-213.8
Net change in cash and cash equivalents		-18.2	-14.6	35.8	-337.9	-328.6
Cash and cash equivalents at end of period		92.1	47.0	92.1	47.0	56.3
Cash and cash equivalents at beginning of period		110.3	61.5	56.3	384.9	384.9
Net change in cash and cash equivalents		-18.2	-14.6	35.8	-337.9	-328.6

STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent									Total
	Share capital	Share issue	Capital paid- in 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	-	-	-	-	-	-	-	69.8	2.7	72.5
Dividends paid	-	-	-	-	-	-	-	-41.0	-1.8	-42.8
Shares available for sale - change in valuation	-	-	-	-	0.8	-	-	-	-	0.8
Treasury shares issued to target group	-	-	-	-	-	-	0.7	-0.7	-	0.0
Share-based compensation	-	-	-	-	-	-	-	0.5	-	0.5
Options subscribed for shares	0.6	-0.1	0.3	-	-	-	-	-	-	0.8
Exchange differences	-	-	-	-0.1	-	17.7	-	-	2.6	20.2
Hedge of net investments in foreign entities	-	-	-	-	-	-7.1	-	-	-	-7.1
Cash flow hedging: amount entered in shareholders' equity	-	-	-	-	9.3	-	-	-	-	9.3
Acquired minority interest	-	-	-	-	-	-	-	-	-18.3	-18.3
Transfer between restricted and non-restricted equity	-	-	-	0.1	-	-	-	-0.1	-	0.0
Donations	-	-	-	-	-	-	-	-0.1	-	-0.1
Other changes	-	-	-	-	-	-	-	0.0	-0.2	-0.2
Shareholders' equity at September 30, 2005	221.3	0.0	257.8	2.8	59.1	-36.8	-27.5	501.7	13.2	991.6
Shareholders' equity at January 1, 2006	221.3	0.0	257.8	2.8	64.3	-33.9	-27.5	520.7	13.7	1,019.2
Net profit for the financial year	-	-	-	-	-	-	-	101.8	2.7	104.5
Dividends paid	-	-	-	-	-	-	-	-43.6	-2.2	-45.8
Treasury shares issued to target group	-	-	-	-	-	-	0.7	-0.7	-	0.0
Share-based compensation	-	-	-	-	-	-	-	0.7	-	0.7
Options subscribed for shares	0.2	-	-	-	-	-	-	-	-	0.2
Exchange differences	-	-	-	-	-	-4.4	-	-	0.1	-4.3
Hedge of net investments in foreign entities	-	-	-	-	-	2.9	-	-	-	2.9
Cash flow hedging: amount entered in shareholders' equity	-	-	-	-	10.6	-	-	-	-	10.6
Acquired minority interest	-	-	-	-	-	-	-	-	-0.8	-0.8
Transfer between restricted and non-restricted equity	-	-	-	0.4	-	-	-	-0.4	-	0.0
Other changes	-	-	-	-	-	-	-	-0.8	0.1	-0.7
Shareholders' equity at September 30, 2006	221.5	0.0	257.8	3.2	74.9	-35.4	-26.8	577.7	13.6	1,086.5

At the end of the year 2005 there were 4,087,760 treasury shares. Of the shares that were granted in connection with share-based incentive plan 8,520 were returned to Kemira in 2006. A total of 116,610 shares were issued to key persons based on the incentive plan on March 28, 2006. The total book equivalent value of the shares issued amounted to around EUR 207,000. The issue does not materially affect the distribution of ownership and voting power in the company.

Kemira had in its possession 3,979,670 of its treasury shares at September 30, 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	30.9.2006	31.12.2005
Mortgages		63.8	74.9
Assets pledged			
On behalf of own commitments		19.4	17.5
Guarantees			
On behalf of own commitments		6.1	-
On behalf of associates		37.6	61.5
On behalf of others		1.9	4.2
Operating leasing liabilities			
Maturity within one year		15.4	12.3
Maturity after one year		114.2	111.9
Other obligations			
On behalf of own commitments		0.4	-
On behalf of associates		2.4	2.5

Litigation

The Group has extensive international operations and is involved in a number of legal proceedings incidental to these operations. The most substantial proceedings currently pending include an arbitration case relating to sale of US pigments companies in 2000. The group does not expect the outcome of any legal proceedings currently pending to have a materially adverse effect upon the group's consolidated result, taking into account provisions.

Kemira Chemicals, Inc. has received a grand jury subpoena to produce documents in connection with an investigation by the United States Department of Justice's Antitrust Division, relating to the hydrogen peroxide business in the US. Kemira Oyj, Kemira Chemicals, Inc. and Kemira Chemicals Canada, Inc. were recently named in class action lawsuits filed in US federal and state courts and in Canada 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 suppliers.

The existence of the United States Department of Justice's Antitrust Division's investigations and the European Commission's ruling in a case of infringement of competition law in May 2006 are relied upon in support of the allegations.

Kemira Oyj, Kemira Chemicals, Inc. and Kemira Chemicals Canada, Inc. are not aware of any allegation in the class action lawsuits that Kemira would have been involved in a cartel concerning the U.S. or Canadian markets.

DERIVATIVE INSTRUMENTS	EUR million		31.12.2005	
	30.9.2006		Nominal value	Fair value
Currency instruments				
Forward contracts	481.5	2.2	314.7	-5.4
of which hedges of net investment in a foreign operation	19.6	0.9	24.7	-3.1
of which cash flow hedge of currency exposure	47.1	0.3	-	-
Currency options				
Bought	84.7	-0.5	94.1	-0.3
Sold	77.8	0.3	111.2	-0.6
Currency swaps	118.9	3.4	121.9	-0.1
Interest rate instruments				
Interest rate swaps	106.1	4.2	160.4	2.9
of which cash flow hedge	75.3	3.7	69.6	3.3
Interest rate options				
Bought	-	-	10.0	-
Sold	-	-	15.0	-0.2
Forward rate agreements				
of which open	-	-	-	-
Bond futures	10.0	-0.1	10.0	-0.1
of which open	10.0	-0.1	10.0	-0.1
Other instruments				
Electricity forward contracts	GWh	Fair value	GWh	Fair value
of which cash flow hedge	1,294.7	31.4	1,884.0	17.3
	1,294.7	31.4	1,884.0	17.3
Propane swap contracts	Tons	-0.4	-	-
	4,000.0	-0.4	-	-

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-September 2006, Kraski Teks posted revenue of EUR 66.0 million and the effect of the acquisition on operating profit totaled EUR 5.8 million.

The Lanxess paper chemicals unit

Kemira acquired the Lanxess paper chemicals operations on April 1, 2006. The main product range of the acquired unit of the company consists of colorants, fluorescent whitening agents, and sizing agents. In addition, toll-manufactured products traded for the pulp and paper industry generate a large share of the revenue. The acquisition makes Kemira the world's leading supplier of pulp and paper chemicals.

The acquisition price was around EUR 81 million. The acquisition was financed with the Kemira Group's own cash assets and through existing financing agreements. An initial accounting process for the integration of the Lanxess unit has been determined provisionally. According to the acquisition contract, the measurement of the final sales price is continuing.

The revenue of the acquired unit for April 1 – September 30, 2006 totaled EUR 114.1 million and operating profit EUR 2.1 million.

Other issues

In January 1- September 30, 2006, Finnish Chemicals and Kemira ChemSolutions b.v. (formerly Verdugt), both acquired in April 2005, reported revenue of EUR 179.4 (96.9) million and EUR 87.3 (48.6) million, respectively. For the first quarter a year ago, these companies' revenues were not yet included in Kemira Group revenue.