

KEMIRA GROUP

The figures are unaudited.

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

This Consolidated Financial Statement has been prepared in compliance with IFRS.

Kemira 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 had 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	10-12/2006	10-12/2005	2006	2005
Revenue		669.5	521.5	2 522.5	1 994.4
Other income from operations		17.6	53.7	59.2	69.3
Expenses		-623.9	-508.0	-2 256.5	-1 779.3
Depreciation		-33.6	-30.8	-123.5	-118.9
Operating profit		29.6	36.4	201.7	165.5
Financial income and expenses		-12.7	-8.2	-37.2	-30.5
Income from associates		-1.1	-1.3	-2.3	-1.5
Profit before tax		15.8	26.9	162.2	133.5
Income tax		-0.1	-8.0	-42.0	-42.1
Net profit for the period		15.7	18.9	120.2	91.4
Attributable to:					
Equity holders of the parent		14.8	18.7	116.6	88.5
Minority interest		0.9	0.2	3.6	2.9
Net profit for the period		15.7	18.9	120.2	91.4

KEY FIGURES	10-12/2006	10-12/2005	2006	2005
Earnings per share, basic and diluted, EUR	0.12	0.15	0.96	0.73
Cash flow from operations per share, EUR	0.90	0.58	1.79	1.29
Capital expenditure, EUR million	257.1	38.4	462.0	401.9
Capital expenditure / revenue, %	38.4	7.4	18.3	20.2
Average number of shares (1000), basic *)	120 950	120 705	120 877	120 628
Average number of shares (1000), diluted *)	121 099	121 085	121 051	121 024
Number of shares at the end of the period (1000), basic *)	120 988	120 714	120 988	120 714
Number of shares at the end of the period (1000), diluted *)	121 204	121 057	121 204	121 057
Equity per share, attributable to equity holders of the parent, EUR			8.92	8.33
Equity ratio, %			39.4	43.8
Gearing, %			75.9	60.8
Net liabilities, EUR million			827.4	619.7
Personnel (average)			9 186	7 717

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

REVENUE BY BUSINESS AREA	EUR million	10-12/2006	10-12/2005	2006	2005
Kemira Pulp&Paper		264.0	209.0	993.3	715.3
Kemira Water		171.5	91.2	467.6	353.2
Kemira Specialty		117.2	119.1	456.2	408.4
Kemira Coatings		109.3	90.3	562.8	457.5
Other and Intra-Group sales		7.5	11.9	42.6	60.0
Total Group		669.5	521.5	2 522.5	1 994.4
OPERATING PROFIT BY BUSINESS AREA		10-12/2006	10-12/2005	2006	2005
Kemira Pulp&Paper		20.1	20.9	90.8	61.5
Kemira Water		10.3	6.9	35.3	28.2
Kemira Specialty		11.1	16.2	45.8	45.4
Kemira Coatings		-1.5	6.8	72.1	55.9
Other and eliminations		-10.4	-14.4	-42.3	-25.5
Total Group		29.6	36.4	201.7	165.5

BALANCE SHEET

EUR million

ASSETS	31.12.2006	31.12.2005
Non-current assets		
Goodwill	581.0	558.1
Other intangible assets	108.9	70.9
Property, plant and equipment	987.1	864.9
Holdings in associates	8.1	9.2
Available-for-sale investments	84.3	83.7
Deferred tax assets	7.7	6.8
Defined benefit pension receivables	24.6	15.3
Other investments	9.5	7.7
Total non-current assets	1 811.2	1 616.6
Current assets		
Inventories	293.2	219.2
Receivables		
Interest-bearing receivables	9.1	7.0
Interest-free receivables	565.4	431.8
Total receivables	574.5	438.8
Money market investments - cash equivalents	35.0	28.3
Bank and cash	41.1	28.0
Total current assets	943.8	714.3
Non-current assets held for sale	14.4	-
Total assets	2 769.4	2 330.9
EQUITY AND LIABILITIES	31.12.2006	31.12.2005
Equity attributable to equity holders of the parent	1 077.9	1 005.5
Minority interest	12.6	13.7
Total equity	1 090.5	1 019.2
Non-current liabilities		
Interest-bearing non-current liabilities	395.1	404.0
Deferred tax liabilities	105.9	100.5
Pension liabilities	66.8	55.4
Provisions	55.3	94.6
Total non-current liabilities	623.1	654.5
Current liabilities		
Interest-bearing current liabilities	508.5	272.0
Interest-free current liabilities	522.9	356.7
Provisions	15.5	28.5
Total current liabilities	1 046.9	657.2
Liabilities directly associated with non-current assets classified as held for sale	8.9	-
Total liabilities	1 678.9	1 311.7
Total equity and liabilities	2 769.4	2 330.9

Non-current assets held for sale include US- and Canada-based factory sites and assets of OnePoint Oy located in Kokkola, Finland. The liabilities of OnePoint Oy are included in liabilities directly associated with non-current assets classified as held for sale.

CONSOLIDATED CASH FLOW STATEMENT

EUR million

	2006	2005
Cash flows from operating activities		
Adjusted operating profit	232.0	258.3
Interests	-30.4	-31.2
Dividend income	2.0	5.5
Other financing items	-1.3	-24.5
Income taxes paid	-45.1	-45.5
Total funds from operations	157.2	162.6
Change in net working capital	59.6	-7.0
Total cash flows from operating activities	216.8	155.6
Cash flows from investing activities		
Capital expenditure	-462.0	-401.9
Proceeds from sale of assets	102.9	131.5
Net cash used in investing activities	-359.1	-270.4
Cash flow after investing activities	-142.3	-114.8
Cash flows from financing activities		
Change in long-term loans (increase +, decrease -)	173.4	-370.8
Change in long-term loan receivables (increase -, decrease +)	1.5	5.8
Short-term financing, net (increase +, decrease -)	33.8	191.1
Dividends paid	-46.3	-43.2
Other	-0.2	3.3
Net cash used in financing activities	162.2	-213.8
Net change in cash and cash equivalents	19.9	-328.6
Cash and cash equivalents at end of period	76.2	56.3
Cash and cash equivalents at beginning of period	56.3	384.9
Net change in cash and cash equivalents	19.9	-328.6

STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent									
	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	Total
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	-	-	-	-	-	-	-	88.5	2.9	91.4
Dividends paid	-	-	-	-	-	-	-	-41.1	-2.1	-43.2
Shares available for sale - change in valuation	-	-	-	-	4.1	-	-	-	-	4.1
Treasury shares issued to target group	-	-	-	-	-	-	0.7	-0.7	-	0.0
Share-based compensation	-	-	-	-	-	-	-	0.7	-	0.7
Options subscribed for shares	0.6	-0.1	0.3	-	-	-	-	-	-	0.8
Exchange differences	-	-	-	-0.1	-	21.8	-	-	4.1	25.8
Hedge of net investments in foreign entities	-	-	-	-	-	-8.3	-	-	-	-8.3
Cash flow hedging: amount entered in shareholders' equity	-	-	-	-	11.2	-	-	-	-	11.2
Acquired minority interest	-	-	-	-	-	-	-	-	-19.6	-19.6
Transfer between restricted and non-restricted equity	-	-	-	-	-	-	-	-	-	0.0
Other changes	-	-	-	0.1	-	-	-	-	0.2	0.3
Shareholders' equity at December 31, 2005	221.3	0.0	257.8	2.8	64.3	-33.9	-27.5	520.7	13.7	1 019.2
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	-	-	-	-	-	-	-	116.6	3.6	120.2
Dividends paid	-	-	-	-	-	-	-	-43.6	-2.8	-46.4
Treasury shares issued to target group	-	-	-	-	-	-	0.7	-0.7	-	0.0
Share-based compensation	-	-	-	-	-	-	-	1.1	-	1.1
Options subscribed for shares	0.3	-	0.1	-	-	-	-	-	-	0.4
Exchange differences	-	-	-	-	-	-1.5	-	-	0.4	-1.1
Hedge of net investments in foreign entities	-	-	-	-	-	4.5	-	-	-	4.5
Cash flow hedging: amount entered in shareholders' equity	-	-	-	-	-4.7	-	-	-	-	-4.7
Acquired minority interest	-	-	-	-	-	-	-	-	-2.3	-2.3
Transfer between restricted and non-restricted equity	-	-	-	0.3	-	-	-	-0.3	-	0.0
Other changes	-	-	-	-	-	-	-	-0.4	-	-0.4
Shareholders' equity at December 31, 2006	221.6	0.0	257.9	3.1	59.6	-30.9	-26.8	593.4	12.6	1 090.5

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 December 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	31.12.2006	31.12.2005
Mortgages		64.8	74.9
Assets pledged			
On behalf of own commitments		19.5	17.5
Guarantees			
On behalf of own commitments		6.4	-
On behalf of associates		32.6	61.5
On behalf of others		1.4	4.2
Operating leasing liabilities			
Maturity within one year		14.9	12.3
Maturity after one year		118.1	111.9
Other obligations			
On behalf of own commitments		0.4	-
On behalf of associates		2.3	2.5

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 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. have recently received claims or were 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.

DERIVATIVE INSTRUMENTS	EUR million		31.12.2006		31.12.2005	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Currency instruments						
Forward contracts	389.4	5.5	314.7	-5.4		
of which hedges of net investment in a foreign operation	19.6	2.2	24.7	-3.1		
Currency options						
Bought	42.8	-	94.1	-0.3		
Sold	45.3	0.2	111.2	-0.6		
Currency swaps	115.9	8.4	121.9	-0.1		
Interest rate instruments						
Interest rate swaps	109.2	4.7	160.4	2.9		
of which cash flow hedge	83.8	4.2	69.6	3.3		
Interest rate options						
Bought	-	-	10.0	-		
Sold	-	-	15.0	-0.2		
Bond futures	10.0	-0.2	10.0	-0.1		
of which open	10.0	-0.2	10.0	-0.1		
Other instruments	GWh	Fair value	GWh	Fair value		
Electricity forward contracts	1 227.0	10.4	1 884.0	17.3		
of which cash flow hedge	1 227.0	10.4	1 884.0	17.3		
	Tons					
Propane swap contracts	1 000.0	0.1	-	-		

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 Tekes

Responsible for the paints and coatings business of the Kemira Group, Tikkurila acquired 100% of voting instruments of Ooo Kraski Tekes, one of the largest players in the Russian decorative paints market, on February 3, 2006. Tikkurila and Ooo Kraski Tekes 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	0
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	0
Total liabilities	19.6	14.0
Net assets	17.8	-0.2
Cost of business combination (net)	23.4	
Goodwill	5.6	
Acquisition cost	23.4	
Cash and cash equivalents in subsidiary acquired	-1.5	
Cash outflow on acquisition	22.0	

In February-December 2006, Kraski Tekes posted revenue of EUR 79.9 million and the effect of the acquisition on operating profit totaled EUR 5.2 million.

The Paper Chemicals business of Lanxess

Kemira acquired the global assets of Paper Chemicals Business of the Lanxess Group 1. April 2006. The main products of this division are optical brighteners, sizing agents and colorants for paper industry. Kemira has now a full-range of paper chemicals products to global paper industry. The acquired division has two production units, one in Leverkusen Germany and the other in Bushy Park, South Carolina, USA and it also outsources a significant portion of its products to customers from third party. This deal makes Kemira the biggest supplier of pulp and paper chemicals to global pulp and paper industry and also strengthens Kemira's position in the emerging markets.

The acquisition price was around EUR 79 million. The acquisition was financed with the Kemira Group's own cash assets and through existing financing agreements.

	Fair values recorded on business combination	Carrying amounts prior to business combination
Intangible assets	0.0	0.0
Property, plant and equipment	16.6	16.6
Inventories	33.0	32.6
Trade receivables and other receivables	34.8	34.8
Cash and cash equivalents	0.0	0.0
Total assets	84.4	83.9
Deferred tax liabilities	0.1	0.0
Long-term liabilities	10.8	10.8
Other liabilities	3.5	3.5
Total liabilities	14.3	14.2
Net assets	70.0	69.7
Cost of business combination (net)	81.2	
Goodwill	11.2	
Acquisition cost	81.2	
Cash and cash equivalents in subsidiary acquired	0.0	
Cash outflow on acquisition	81.2	

Goodwill of EUR 11 million arose on the acquisition. The goodwill was based on anticipated improved earnings trend of the acquired business and achieving significant synergy benefits.

During Apr. 1 – Dec. 31, 2006 the acquired business had revenue of EUR 165.8 million and operating profit of EUR 0.5 million.

The Cytec water treatment business

Kemira acquired the Cytec Industries, Inc.'s water treating and acryl amide business on October 1, 2006. Cytec's water treatment chemicals product line consists of water treatment solutions for industrial and municipal water treatment plants. The acquisition includes five production plants of which three are located in the US (Mobile/Alabama, Longview/Washington, and Fortier/Louisiana), and two in Europe (Bradford /UK and Botlek/the Netherlands).

The acquisition of Cytec's water treatment chemicals business is in line with Kemira's growth strategy. It also enables us to significantly broaden our current product portfolio and gain greater geographical presence in key markets and inside key customer segments. The acquired business' market regions include the US, South America, Asia and Europe.

The total price of the acquisition was around EUR 189.2 million subject to the adjustment of net working capital. The acquisition was financed with the Kemira Group's own cash assets and through existing financing agreements.

As part of the acquisitions, in addition to the purchase of the business (asset purchase agreement) which was closed 1 October, 2006, Kemira signed the share purchase agreement to buy the shares of Cytec Manufacturing BV. The closing of this phase was 11 January 2007. Kemira has also signed with nine Cytec companies the transition service agreements concerning certain transition services with respect of the products of the business (Overseas units). The assets related to these transition service agreements will be transferred to Kemira within six months from closing.

The control over the whole Cytec water treatment business was transferred to Kemira on October 1, 2006. The assets and liabilities are included in consolidated financial statements on December 31, 2006. The purchase price allocation of the Cytec water treatment business has been made on a provisional basis for the financial statements December 31, 2006.

The assets and liabilities of Manufacturing BV were measured in the 2006 financial statement to the value of the payments plus the remaining payment of EUR 16.3 million which was paid at the closing on 11 January 2007.

The final IFRS-compliant valuation of the business acquisition will be completed upon the closing of the acquisition's phases and the completion of net working capital adjustments.

The revenue of the acquired unit for October 1 - December 31, 2006 totaled EUR 67.7 million and operating profit EUR 2.8 million.

Aggregate of other business combinations

Kemira made the following acquisitions in 2006; Finncolor s.r.o. (100%), Gropa A/S (100%), Roma 8660 Skanderborg A/S (100%), Scandinavian Tanking System A/S (100%) and Storage and Production System A/S (100%), Oy Galvatek Ab (100%), Bayer Agencies Paper chemical business and the IFAC business.

In the following acquisitions Kemira increased its previous ownership (the percentage of voting equity instruments acquired 2006); Kemwater de México, S.A de C.V (49%), Kemwater Närke Ab (8,33%), Kemwater ProChemie s.r.o.(35%), TOB Tikkurila (49%), Holmbergs Färg i Skövde Ab (9%), Kemira-Swiecie Sp.z.o.o (35%).

These business combinations are individually immaterial.

	Fair values recorded on business combination	Carrying amounts prior to business combination
Trademarks and trade names	1.5	0.0
Other intangible assets	3.7	0.2
Property, plant and equipment	10.2	5.5
Other investments	0.2	0.2
Inventories	10.4	8.3
Trade receivables and other receivables	11.6	11.6
Cash and cash equivalents	2.7	2.7
Total assets	40.3	28.4
Deferred tax liabilities	2.9	0.7
Long-term liabilities	2.6	3.4
Other liabilities	16.6	16.6
Total liabilities	22.1	20.8
Net assets	17.9	10.5
Cost of business combination (net)	32.6	
Goodwill	14.7	
Acquisition cost	32.6	
Contingent purchase price	-2.5	
Cash and cash equivalents in subsidiary acquired	-2.7	
Cash outflow on acquisition	27.4	

The effect of the business combinations on revenue and profit

Kemira's revenue for Jan. 1 - Dec. 31, 2006, would have been EUR 2.787 million and operating profit EUR 218 million if all the business combinations carried out during the period had been completed at January 1, 2006.