Kemira

Financial statements 2007

Content

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

Kemira Group's revenue for 2007 rose by 11% year on year, to EUR 2,810.2 million (2006: EUR 2,522.5 million). Operating profit totaled EUR 143.1 million (193.7). The operating profit includes write-downs and other non-recurring items, with their net effect on operating profit amounting to EUR −31.5 million (+23.2). Operating profit excluding non-recurring items was EUR 174.6 million (170.5). Earnings per share was EUR 0.53 (EUR 0.90). The Board of Directors will propose a per-share dividend of EUR 0.50 for 2007, corresponding to a dividend pay-out ratio of 95% and a 4% growth over the previous year. Excluding non-recurring write-downs the payout ratio is 57%. For the financial year 2006, Kemira paid out a dividend of EUR 0.48 per share.

KEY FIGURES AND RATIOS

EUR million	2007	2006**	Change %
REVENUE	2,810.2	2,522.5	11
EBITDA	316.9	317.2	0
EBITDA, %	11.3	12.6	
OPERATING PROFIT	143.1	193.7	−26
Operating profit, %	5.1	7.7	
Operating profit, excluding non-recurring items	174.6	170.5	2
Operating profit, excluding non-recurring items, %	6.2	6.8	
Financial income and expenses	−51.9	−37.2	
PROFIT BEFORE TAX	93.3	154.2	
Profit before tax, %	3.3	6.1	
NET PROFIT	67.5	112.2	
EPS, EUR	0.53	0.90	
EPS, EUR, excl. write-downs	0.87	0.90	
Capital employed *	2,035.8	1,876.6	
ROCE, % *	7.1	10.2	
Cash flow after investments, excluding acquisitions	−82.5	155.0	
Personnel at period-end	10,007	9,327	

* 12-month rolling average

** Prior year correction included

REVENUE AND OPERATING PROFIT FOR 2007

Kemira Group's revenue for 2007 rose by 11% over the previous year, to EUR 2,810.2 million (2,522.5). Acquisitions accounted for EUR 314.9 million of revenue growth, while divestments eroded revenue by EUR 26.9 million. Organic growth in local currencies was 2%. The currency effect decreased revenue by 2% or EUR 54 million.

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

Revenue by business area:

EUR million	2007	2006
Kemira Pulp&Paper	1,018.3	993.3
Kemira Water	730.5	467.6
Kemira Specialty	425.9	456.2
Kemira Coatings	625.2	562.8
Other, including eliminations	10.3	42.6
Total	2,810.2	2,522.5

Kemira's operating profit for 2007 decreased by 26%, to EUR 143.1 million (193.7) and includes write-downs, gains on the sale of assets and other non-recurring items, whose net effect amounts to EUR −31.5 million (+23.2). Based on a strategic review, decisions were made on measures leading to write-downs totaling EUR 47.1 million for the last quarter. Excluding non-recurring items, operating profit came to EUR 174.6 million (170.5), representing growth of 2%. Acquisitions contributed EUR 13.7 million to operating profit, while divestments depressed operating profit by EUR 2.4 million. Operating profit as a percentage of revenue, excluding non-recurring items, decreased from 6.8% to 6.2%. The weakened US dollar had a negative effect on both revenue and operating profit, and the currency effect decreased operating profit by approximately EUR −10 million.

Operating profit by business area:

EUR million	2007	2006
Kemira Pulp&Paper	66.8	90.8
Kemira Water	45.0	35.3
Kemira Specialty	13.5	45.8
Kemira Coatings	73.1	72.1
Other	−55.2	−50.3
Total	143.1	193.7

Non-recurring items included in operating profit:

EUR million	2007	2006
Kemira Pulp&Paper	−11.6	11.0
Kemira Water	−3.1	−0.2
Kemira Specialty	−10.6	3.6
Kemira Coatings	8.8	16.4
Other	−15.0	−7.6
Total	−31.5	23.2

Operating profit excluding write-downs and other non-recurring items:

EUR million	2007	2006	2007	2006
Kemira Pulp&Paper	78.4	79.8	7.7%	8.0%
Kemira Water	48.1	35.5	6.6%	7.6%
Kemira Specialty	24.1	42.2	5.7%	9.3%
Kemira Coatings	64.3	55.7	10.3%	9.9%
Other	−40.2	−42.7		
Total	174.6	170.5	6.2%	6.8%

Profit before tax amounted to EUR 93.3 million (154.2) and net profit totaled EUR 67.5 million (112.2). Earnings per share were EUR 0.53 (0.90).

Current tax came to EUR 25.8 million (42.0), representing an effective tax rate of 27.7%. The effective tax rate was lower than with current tax rate due to the utilization of tax losses and non-taxable gains on assets sold. On the other hand, write downs of assets increased the effective tax rate.

The company's 2006 Financial Statements and interim reports for 2007 projected an increase in revenue, operating profit and earnings per share on 2006. However, due to an underperforming last quarter and non-recurring items, only revenue showed growth on the previous year's levels. The Group's financial targets for 2007 were a minimum of 5% organic growth in revenue, a minimum of 10% growth in earnings per share and continuous improvement in return on capital employed. The shortfall in meeting the defined targets was particularly due to weak performance of Kemira Specialty, the weakened US dollar and non-recurring items.

CAPITAL EXPENDITURE

Gross capital expenditure, excluding acquisitions, totaled EUR 254.4 million (164.7) in 2007. The largest investments involved a chemical plant constructed at the site of a pulp mill in Uruguay, for EUR 43.1 million; a paint factory constructed in the Stockholm area, for EUR 12.4 million; the deployment of a new Group-wide enterprise resource planning system, for EUR 23.3 million; and an environment-related capital investment in Pori, for EUR 17.2 million. Maintenance investments represented some 26% of capital expenditure excluding acquisitions.

The Group recorded EUR 173.8 million (123.5) in depreciation, including EUR 37.9 million as write-downs.

Gross capital expenditure, including acquisitions worth EUR 66.6 million (297.3), totaled EUR 321.0 million (462.0). Cash flow from the sale of assets, including the repayment of Kemapco loans, was EUR 0.2 million in the negative (proceeds of EUR 102.8 million). The Group's net capital expenditure totaled EUR 321.2 million (359.1).

FINANCIAL POSITION AND CASH FLOWS

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

In 2007, the Group reported cash flows of EUR 172.1 million (216.8) from operating activities and showed a negative free cash flow of EUR 149.1 million (–142.3). Net working capital was 15.2% (15.0%) of revenue. Kemira Oyj paid out EUR 58.2 million (43.6) in dividends to its shareholders. On December 31, 2007, the Group's net liabilities stood at EUR 1,003.4 million (827.4).

Interest-bearing liabilities totaled EUR 1,056.1 million. The duration of the Group's interest-bearing loan portfolio at the year-end was 13 months (16).

Equity ratio stood at 39% (39%), while gearing was 92% (76%).

Net financial expenses increased to EUR 51.9 million (37.2), due to increases in loans raised and higher market interest rates. The Group's net financing cost was 5.2%.

Cash and cash equivalents on December 31, 2007 totaled EUR 52.6 million. The unused amount of the revolving credit facility, falling due in 2012, totaled EUR 583.3 million.

In October of 2006, Kemira signed a credit facility enabling six Group companies to sell certain account receivables to a finance company. The related credit risk transfers to the finance company and the receivables are derecognized from the Group companies' balance sheet. The amount of outstanding sold receivables on December 31, 2007 was EUR 23.7 million (15.7).

The Group's most important exchange rate risk arises from USD denominated exports from the euro area. Approximately 75% of the exchange rate risk, equivalent annually to EUR 50 million, due to exposure to the US dollar, was hedged during the year. In addition to exchange rate risk, Kemira Pigments Oy's euro denominated sales are also indirectly exposed to the US dollar, since the world market pricing of titanium dioxide is based on the US dollar. In addition, the Group is exposed to a USD risk when USD denominated items are converted into euro in the financial statements.

RISK MANAGEMENT

Kemira's risk management, based on the principle of Enterprise Risk Management (ERM), refers to the systematic and proactive identification, assessment and management of various risk categories, such as strategic, operational, hazard and financial risks.

Various Group guidelines and policies specify management objectives, the division of responsibilities and risk limits. Risk ownership remains with the business or function owner, which also assumes responsibility for the related risk management. While the Group's Risk Management function has the role of developing and coordinating risk management and risk management networks within the Group, Kemira's Internal Audit is in charge of assessing the Risk Management function and its measures.

Kemira performs risk identification and assessment by business area, applying a jointly agreed risk self-assessment methodology. Risk reporting by business area can also be supplemented by identifying and assessing risks associated with, for example, various support functions, major manufacturing plants or investment projects. Risk management action plans based on risk assessments are integrated as part of business action plans, by business area.

In order to reap cost benefits and ensure sufficient Group-level control, Kemira manages certain risk management activities on a centralized basis, including the purchase of 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. The Group also manages industrial and business environment, customer and technological intelligence processes on a centralized basis.

Kemira's major strategic and operative risks are associated, for example, with acquisitions, their integration, changes in the industry, human resources, product development, sourcing and competition.

RESEARCH AND DEVELOPMENT

Due to the acquisitions conducted over the previous year, operations expanded markedly. Research and development expenditure totaled EUR 65.9 million (55.1), accounting for 2.3% (2.2%) of revenue. At the end of the year, the number of R&D personnel in a total of 10 countries was 730, with 60% working in Finland. The R&D organization consists of local customer service points and business area specific technology centers involved in more demanding development work, while advanced research is conducted in the Group's research centers located in Finland and managed on a centralized basis. The majority of research costs are borne by business areas, with Group financing supporting more risky long-term research and the utilization of synergies. An innovation contest opened during the year nearly quadrupled the number of inventions on the previous year.

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. The Group treats its environmental liabilities and risks in its financial statements 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. Management is not aware of any significant non-compliance conditions with respect to environmental and safety permits.

In 2007, capital expenditure on environmental protection at company sites totaled EUR 30.2 million (12.2) and operating costs EUR 39.1 million (35.4). Capital expenditure of around EUR 17.2 million on the management of the by-products in the Pori titanium dioxide plant represented the most significant single investment project carried out in 2007. In addition to developing new business, the investment also contributes to complying with the requirements set by the environmental permit valid from the end of the year and allows the termination of the stock piling of by-products on the site.

Provisions for environmental remediation measures, EUR 13.6 million (16.8), are mainly related to landfill closures and remediation projects for contaminated soil. The decline in provisions was mainly due to the progress of remediation measures performed, for instance, at the Kokkola site. Management is not aware of any environmental liability cases related to previous operations, which would have any significant effect on Kemira's financial position.

Corporate acquisitions and divestments did not alter the Group's overall environmental liabilities significantly. Regarding two of the sites of the water chemicals business acquired from Cytec Inc., settlements concerning the division of the environmental liabilities observed in analyses are underway in accordance with the acquisition agreement.

The new EU chemicals legislation (REACH) entered into force on 1 June 2007. Registration, testing and risk assessment now required by the legislation increase the costs of chemical substances produced in and imported to the EU. Kemira manufactures within, or imports to, the EU area approximately 250 substances subject to registration and, additionally, about ten substances are subject to authorization. The Group has initiated the preparation of pre-registration and other measures required by the regulatory framework, under the guidance of the Kemira REACH Competence Center established in Finland. The implementation of REACH is not expected to have any major effects on the Group's competitiveness.

The frequency of occupational accidents increased slightly on the previous year, to 6.5 (6.0) accidents per million working hours, but no major industrial accidents accompanied by serious personal injuries or environmental damage occurred in 2007.

Kemira publishes an annual Environmental Report verified by a third party and prepared in accordance with IFRS and the guidelines issued by the European Chemical Industry Council (CEFIC). The report deals, for example, 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 10,007 on December 31, 2007 (December 31, 2006: 9,327), while the average payroll numbered 10,008 employees (9,186) in 2007. This growth in staff numbers came from corporate acquisitions carried out during the financial year.

The year-end number of employees in Finland, elsewhere in Europe, the Americas and Asia came to 2,885 (3,020), 4,930 (4,506), 1,709 (1,514) and 483 (287), respectively. On average Kemira Pulp&Paper had 2,315 employees (2,285) on its payroll, Kemira Water 2,189 (1,596), Kemira Specialty 1,066 (1,102), Kemira Coatings 3,883 (3,541) and Group functions 555 (662).

Salaries and wages for 2007 totaled EUR 360.4 million (326.2). Pay is determined by national collective and individual agreements, personal performance and job content. In the context of job evaluation, Kemira applies systems in global use, enabling the Group to ensure fair pay, which is competitive in the market, and provide a framework for employee performance appraisal. Basic pay is supplemented by performance-based bonus schemes, which cover a large share of Group employees.

Kemira conducts a Group-wide employee opinion survey every year, with a view to evaluating developments in leadership work and the workplace climate. The survey assesses job satisfaction and satisfaction with working conditions, leadership, communication, supervisory/managerial performance and performance on unit and Group level. Its results are compared with those of previous surveys and the corresponding surveys conducted in the industry, and are used as the basis of various development projects. With the response rate at 87% in 2007, the survey's results exceeded the global comparison index and showed a year-on-year improvement in job satisfaction. In particular, the leadership, communication and employee reward system scored better than a year ago. However, work was perceived as somewhat more stressful than a year earlier. Kemira emphasizes the importance of handling survey results on a local basis and the entire staff's involvement in analyzing results and planning and implementing any remedies.

The Kemira Code of Conduct specifies Group principles governing equality. Accordingly, Kemira treats all people equally in recruitment and 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. On December 31, 2007, women accounted for 29% (29%) of Group employees and men 71% (71%).

The human resources strategy aims to promote a participative and entrepreneurial culture. The culture module of the Group-wide development program, Kemira – from Good to Great, defines the following action areas for strategy implementation: leadership skills, competence, employee involvement, rewarding, resources, safety and wellbeing programs. HR development tools – employee opinion surveys, performance reviews and the 360-degree feedback method – form the basis for HR action planning, with particular attention being paid to the reward system's competitive and motivational aspects. Leadership and personal development also represent an important area. Greater employee empowerment, resource plans based on business strategies and the qualitative elements of employment – such as the diversity of duties, opportunities for employees to have their say in the workplace, others' support and employee wellbeing issues – are among the key areas in HR development. Supervisors/managers monitor and measure these success factors in cooperation with HR professionals.

KEMIRA PULP&PAPER

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

EUR million	2007	2006	Change %
REVENUE	1,018.3	993.3	3
EBITDA	132.0	137.1	–4
EBITDA, %	13.0	13.8	
OPERATING PROFIT	66.8	90.8	–26
Operating profit, %	6.6	9.1	
Operating profit, excluding non-recurring items	78.4	79.8	–2
Operating profit, excluding non-recurring items, %	7.7	8.0	
Capital employed *	800.3	819.5	
ROCE, % *	8.3	11.0	
Capital expenditure, excluding acquisitions	78.4	77.6	
Cash flow after investments, excluding acquisitions	–25.2	65.1	
Personnel at period-end	2,285	2,304	

* 12-month rolling average

Kemira Pulp&Paper's revenue grew by 3%, to EUR 1018.3 million (993.3). Acquisitions pushed revenue up by approximately EUR 50 million, while divestments depressed it by around EUR 12 million. Organic growth in local currencies was 2%. The effect of currencies, particularly of the US dollar, decreased revenue by some EUR 26 million or 3%.

Operating profit decreased to EUR 66.8 million (90.8) due, in particular, to write-downs of EUR 17.1 million carried out during the last quarter. In addition, operating profit includes EUR 5.5 million in other non-recurring income. Net effect of all non-recurring items was EUR –11.6 million. Operating profit excluding all non-recurring items declined by 2%, to EUR 78.4 million (79.8). The weakened US dollar had a negative effect on both revenue and operating profit, which was also burdened by the delayed start up of the Uruguay chemical plant. Operating profit excluding non-recurring items stood at 7.7% (8.0%).

In June, Kemira announced its intent to increase production of calcium sulfate pigment, used as paper pigment, by 25,000 tons to 175,000 tons. The value of the investment amounts to approximately EUR 5 million. Kemira's paper pigment production plants are located in Siilinjärvi, Finland. The related calcium sulfate technology has been developed and productized by Kemira in cooperation with the Finnish forest industry and related research communities. Calcium sulfate pigment is used as a filler and coating pigment for paper and cardboard.

In August, Finnish Chemicals Oy, a subsidiary of the Kemira Group, received an EU Commission Statement of Objections concerning the selling of sodium chlorate, with regard to alleged antitrust activities during 1994–2000. Kemira Oyj acquired Finnish Chemicals Oy in 2005. Finnish Chemicals has submitted its reply to the Statement of Objections.

In December, Kemira sold its 50% ownership in a Japanese hydrogen peroxide joint venture company Kemira-Ube Ltd to the other joint venture partner Ube Industries Ltd. Kemira-Ube's net sales total approximately EUR 20 million. Kemira aims to reinforce its services for Japanese pulp and paper chemical customers and is focusing its growing business in Japan on the fully owned Kemira Japan KK.

In autumn, the construction of a chemical plant in Fray Bentos, Uruguay, next to Botnia's pulp mill, was completed. Kemira's chemical plant began operating in November, once the pulp mill had obtained an authorization to begin production some months behind the planned schedule.

Kemira's new Asian Technology Center for the pulp and paper industry began operating in Shanghai during the autumn. This new center is an important link in Kemira's R&D network that now serves customers globally. In addition to the Asian Technology Center, Kemira's R&D network already covers Europe and America. Kemira Pulp&Paper is ramping up its R&D operations in Asia, especially in China, in order to serve its customers efficiently by providing solutions for local needs.

In January 2008, Jyrki Mäki-Kala began his duties as President of Kemira Pulp&Paper, as Harri Kerminen became the CEO of Kemira Oyj.

KEMIRA WATER

Kemira Water – the leading global expert in municipal and industrial wastewater treatment and process and drinking water treatment. Kemira Water provides products, equipment and services for municipal and industrial water treatment.

EUR million	2007	2006	Change %
REVENUE	730.5	467.6	56
EBITDA	80.5	53.4	51
EBITDA, %	11.0	11.4	
OPERATING PROFIT	45.0	35.3	27
Operating profit, %	6.2	7.5	
Operating profit, excluding non-recurring items	48.1	35.5	35
Operating profit, excluding non-recurring items, %	6.6	7.6	
Capital employed *	442.8	269.2	
ROCE, % *	10.3	13.4	
Capital expenditure, excluding acquisitions	51.0	19.4	
Cash flow after investments, excluding acquisitions	−10.7	26.7	
Personnel at period-end	2,384	1,846	

* 12-month rolling average

Kemira Water's revenue increased by 56%, to EUR 730.5 million (467.6), particularly due to the acquisition of Cytec's water treatment business in October 2006. Acquisitions accounted for EUR 242.3 million of revenue growth. Demand for Kemira's water treatment chemicals and solutions remained healthy in all market areas. Organic growth in local currencies was 8%. Furthermore, the currency effect had a 4% negative impact on revenue.

Operating profit stood at EUR 45.0 million (35.3), including non-recurring items whose net effect amounted to EUR −3.1 million (−0.2). During the last quarter of 2007, a write-down of EUR 5.8 million was recorded pertaining to the restructuring of a subsidiary acquired in Denmark and the water treatment chemicals business in the USA. Operating profit excluding non-recurring items totaled EUR 48.1 million (35.5). Operating profit as a percentage of revenue, excluding non-recurring items, decreased from 7.6% to 6.6% due to the consolidation of Cytec water treatment business, which had initially a lower profitability.

The second phase of Cytec's water treatment and acrylamide business acquisition by Kemira was confirmed in January. The first phase, which closed in October 2006, included all product lines with the exception of the Botlek site and certain assets of various subsidiaries in Asia/Pacific and Latin America. The second phase completed the transfer of the Botlek site located in the Netherlands. The aggregate purchase price totaled around EUR 199 million, including the second and last phase purchase prices and the associated costs.

In April, Kemira bought an 80% shareholding in Chongqing Lanjie Tap Water Materials Co., Ltd. This company is a producer of inorganic coagulants and organic polymers for water treatment in the municipality of Chongqing in central China. Its main client base resides in local potable water production. The company's current revenue, in the range of EUR 2 million annually, is expected to grow rapidly in the years to come.

The acquisition of two companies owned by the Brazilian company Dalquim Industria e Comercio Ltda was completed in April. With a combined annual revenue of around EUR 12 million, these companies manufacture inorganic water treatment coagulants and their main customers include the paper industry and municipalities. In addition to serving the paper industry's growing needs, the acquirees focus on the treatment of municipal drinking and wastewater in the southern states of Brazil. This acquisition will bolster Kemira's goal of intensifying mutual synergy and strengthening its position as the world's leading supplier of pulp, paper and water treatment chemicals in emerging markets.

In the beginning of October, Kemira announced that it had agreed to acquire Nheel Química Ltda, Brazil's leading water treatment chemicals company. With this acquisition, Kemira will strengthen its position in the Brazilian and Latin American water treatment market. Nheel Química's production plant is located in Rio Claro, Sao Paulo state. The plant produces the full range of coagulants, which are mainly used for the treatment of drinking water and wastewater. In 2006, Nheel Química's revenue was around EUR 24 million. This acquisition fits well with Kemira's strategy to enhance its position in fast growing emerging markets. Anti-trust approval and the fulfillment of other terms and conditions are required to close the deal.

In the beginning of October, the Finnish city of Oulu introduced a sludge treatment solution based on Kemira's Kemicond concept. Kemicond is a patented sludge treatment solution developed by Kemira. This solution enables considerable reductions in sludge volume, generating significant cost savings for Kemira's customers.

The acquisition of Arkema's coagulant business for water treatment, agreed in the spring, was realized in December. In 2006, the revenue of Arkema's coagulant business for water treatment totaled approximately EUR 19 million. Through this acquisition, Kemira has become the market leader in inorganic coagulants in France and has further reinforced its leading position in Spain. The transaction was confirmed at the beginning of December.

KEMIRA SPECIALTY

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

EUR million	2007	2006	Change %
REVENUE	425.9	456.2	–7
EBITDA	45.1	77.0	–41
EBITDA, %	10.6	16.9	
OPERATING PROFIT	13.5	45.8	–71
Operating profit, %	3.2	10.0	
Operating profit, excluding non-recurring items	24.1	42.2	–43
Operating profit, excluding non-recurring items, %	5.7	9.3	
Capital employed *	435.3	451.6	
ROCE, % *	3.1	10.1	
Capital expenditure, excluding acquisitions	55.0	30.8	
Cash flow after investments, excluding acquisitions	–19.7	53.6	
Personnel at period-end	1,028	1,011	

* 12-month rolling average

Kemira Specialty's revenue decreased by 7%, to EUR 425.9 million (456.2), due to lower sales volumes in ChemSolutions business unit, continuously fierce competition in the titanium dioxide market and the clearly lower average sales price for titanium dioxide than in the previous year. Due to development of the US housing market, American companies have increased their exports of titanium dioxide to Europe, which has intensified price competition. In addition, the weakening US dollar has further improved the competitive position of American companies in Europe. Furthermore, the currency effect had a 2% negative impact on revenue.

Operating profit came to EUR 13.5 million (45.8), including non-recurring items whose net effect amounted to EUR –10.6 million (+3.6). During the last quarter, a write-down of EUR 9.2 million was recorded pertaining to the Chemidet business unit. Operating profit excluding non-recurring items totaled EUR 24.1 million (42.2). This drop in operating profit was due in particular to lower sales volumes in the ChemSolutions and the Chemidet business units, lower sales prices of titanium dioxide, the weak US dollar and strikes in titanium dioxide production.

In March, Kemira acquired Sustainable Nutrition B.V. in the Netherlands from the company's management. Kemira and the acquiree have collaborated in previous years, when Sustainable Nutrition operated as Kemira's sales, marketing and product development partner in the feed industry. The acquisition has strengthened Kemira's customer knowledge, particularly in the European feed market.

In April, Kemira concluded an agreement on acquiring all holdings in the privately owned North American company TRI-K Industries Inc. The transaction also includes Maybrook Inc., a wholly owned subsidiary of TRI-K. TRI-K Industries Inc. is a distributor and producer of specialty ingredients for the cosmetics and personal care markets. Headquartered in New Jersey, US, with additional operations in Massachusetts, TRI-K currently employs 50 people and recorded consolidated revenue of approximately USD 20 million in 2006. This acquisition has expanded Kemira Specialty's offering in the cosmetics business, especially in the field of skin and health care.

In May, Kemira announced the initiation of a process to evaluate ownership alternatives for its business units Pigments and Chemidet. Kemira Pigments produces titanium dioxide pigments in Pori, Finland, and operates a technology center in Germany and the above-mentioned North American cosmetics industry company TRI-K Industries. Kemira Pigments focuses on specialty product markets such as the flexible packaging and cosmetics industries, where it holds leading market positions. Pigments' revenue in 2006 totaled EUR 230 million. Chemidet produces sodium percarbonate for the detergent industry, in Helsingborg, Sweden, its revenue being EUR 54 million in 2006.

The evaluation of ownership alternatives for Pigments was concluded in August, entailing no changes in shareholdings. The preliminary outcome of the evaluation process showed that the market value of the Pigments business unit in the current business and financial environment did not correspond to the expected future value of the business. A decision was therefore taken to halt the evaluation process and concentrate on improving the profitability and cash flow of Pigments. With respect to the Chemidet business unit, the process of assessing different ownership alternatives is continuing.

In July, Kemira announced that it would increase its production capacity of calcium propionate used for the feed and food industries by establishing a production site in China. The investment also includes production capacity for feed additive mixtures.

In the beginning of October, Kemira's subsidiary Kemira Pigments Oy announced that it had initiated negotiations under the Finnish Act on Cooperation within Undertakings with its personnel. The company is pursuing annual savings of around EUR 4.5 million. The objective is to generate these savings through structural reorganization and operational efficiency enhancement. These negotiations concluded in the reduction of 56 employees from the site's organization. The Pori plant currently employs approximately 650 staff in Finland.

In January, Kemira Pigments Oy's Pori titanium dioxide plant obtained a new environmental permit. This permit applies to the continuation of the plant's present operations by raising its capacity from 120,000 tons of pigment to 150,000 tons per year. The permit also applies to increasing the production of sulfuric acid needed by the plant, the utilization of its iron sulfate by-product, the closing of the piling areas for iron sulfate and ilmenite residue located within the plant site, and work on their surface isolation. Part of the iron sulfate, which is formed as a by-product of titanium dioxide production, and which amounts to about 500,000 tons per year, was previously piled on the site. Now it is sold entirely, to be used as a water treatment chemical or in the production of such chemicals.

KEMIRA COATINGS

Kemira Coatings – the leading regional expert in painting and coating solutions in Northern and Eastern Europe, offering services and branded products to consumers, professionals and industry.

EUR million	2007	2006	Change %
REVENUE	625.2	562.8	11
EBITDA	91.2	88.9	3
EBITDA, %	14.6	15.8	
OPERATING PROFIT	73.1	72.1	1
Operating profit, %	11.7	12.8	
Operating profit, excluding non-recurring items	64.3	55.7	15
Operating profit, excluding non-recurring items, %	10.3	9.9	
Capital employed *	311.0	310.5	
ROCE, % *	23.9	23.7	
Capital expenditure, excluding acquisitions	43.5	22.5	
Cash flow after investments, excluding acquisitions	26.0	71.2	
Personnel at period-end	3,789	3,494	

* 12-month rolling average

Kemira Coatings' revenue increased by 11%, to EUR 625.2 million (562.8). Indeed, sales development was favorable in all market areas, particularly in Russia and other CIS countries. Organic growth was 9%. Revenue was further boosted by the acquisition of two Russian industrial coating companies completed in April 2007, and the launch of the operations of the Beijing-based sales company in June.

Operating profit stood at EUR 73.1 million (72.1), including non-recurring items whose net effect amounted to EUR +8.8 million (+16.4). Excluding the effect of non-recurring items, operating profit increased by 15% to EUR 64.3 million (55.7). Operating profit as a percentage of revenue, excluding non-recurring items, rose from 9.9% to 10.3%.

April saw the completion of the acquisition of two Russian industrial coatings companies. Accordingly, Tikkurila bought 70% holdings in OOO "Gamma" and OOO "Ohtinski zavod poroshkovyh krasok" based in St Petersburg. With revenue of roughly EUR 8 million and a staff of 110, Gamma is a major manufacturer of metal-industry coatings in Russia. Ohtinski zavod poroshkovyh krasok, a manufacturer and marketer of powder coatings, has revenue of approximately EUR 3 million and a staff of 50. This acquisition will strengthen Kemira's position in the Russian metal-industry coatings market.

In May, Kemira Coatings established a new sales company in China. Tikkurila (Beijing) Paints Co., Ltd began operating on May 22, 2007, in Beijing. At the same time, Tikkurila acquired the sales company CEIEC-Feelings, operating in China. CEIEC-Feelings' business operations and its staff of 50 persons have been transferred to the new company. CEIEC-Feelings has been operating since 2002 as the importer of Tikkurila's decorative paints to China and its revenue for 2007 is estimated at approximately EUR 2 million. The completed acquisition is aimed at consolidating a basis for the development of Kemira's market position in the rapidly growing decorative paints market in China.

In August, Kemira announced that it was pursuing its strategy and strengthening its position in the Russian coatings markets. Kemira Coatings (Tikkurila) decided to build a logistics and customer service center in Moscow, in order to be able to respond to the challenges presented by powerful growth and demand. The value of the investment is approximately EUR 20 million. The center will be built in Mytish, Moscow, and its opening is scheduled for the summer of 2008. Kemira Coatings has been exporting paints and coatings to Russia for decades under the Tikkurila brand name. The company also has local production in Russia, totaling six paint factories. These products are sold under brands such as Finncolor and Teks. The objective of the new logistics and customer service center is to bring about a considerable improvement in Tikkurila's customer services in the rapidly growing market in the Moscow area. The center will also include facilities for comprehensive customer training, which is an essential part of Kemira Coatings' marketing.

In August, Alcro-Beckers AB, part of Kemira's paints and coatings business, announced its intention to sell its 50% stake in the Swedish filler producer, Scanspac, to Gyproc AB, part of Saint-Gobain. Spanspac's revenue in 2006 totaled approximately SEK 241 million (EUR 26 million). Scanspac is the leading filler producer in the Nordic area, with production units in Glanshammar and Sala in Sweden. Since Alcro-Beckers AB focuses on paint manufacturing, this divestment supports the unit's strategy. The divestment was completed at the end of September.

Furthermore, Alcro-Beckers AB is building a new paint factory in Nykvarn, south of Stockholm, in connection with the company's logistics center. Production in the new factory was launched towards the end of the year. Alcro-Beckers has been manufacturing paint in the Lövholmen area in central Stockholm since 1902. It sold its production facility in Stockholm city center last year and will relocate its production operations to Nykvarn in early 2008.

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. During the year, the Group has particularly invested in harmonizing and enhancing its purchasing and logistics processes, enterprise resource planning (ERP) system and IT services. Development programs and investments of several million euros are aimed at generating cost savings in the forthcoming years as well as increasing the company's agility and flexibility in responding to changes in the business environment. Investments required for the ERP system will deviate from the original plan and corrective actions are required and therefore a write-down of EUR 15 million was carried out during the last quarter.

Other operations also include the water-soluble fertilizers unit, which is not part of Kemira's core business operations. In February, Kemira sold its shareholding (50%) in Kemira Arab Potash Company Ltd (Kemapco), part of Water Soluble, to Arab Potash Company Ltd (APC).

In March, Kemira sold all of its shares in OnePoint Oy, a provider of infrastructure and production support services in the Kokkola Industrial Park, Finland, to Kokkolan Voima, in accordance with a letter of intent signed in December 2006.

During the first quarter of the year, an error was identified and reported in the calculation of the provision recognized in 2006 due to the closure of the Water Soluble unit. This error was corrected retrospectively in the last quarter figures of 2006 in accordance with IAS 8. The provision was increased by EUR 8 million, decreasing the result for the last quarter by the same amount. The tables included in these financial statements provide more detailed information on the correction of this error.

KEMIRA OYJ'S SHARES AND SHAREHOLDERS

On December 31, 2007, Kemira had 16,723 registered shareholders. Of the shares, 17% (21%) were nominee-registered.

The volume of company shares traded on the OMX Nordic Exchange Helsinki totaled 151.6 million at a total trading value of EUR 2,492.9 million. Kemira Oyj shares registered a high of EUR 19.20 and a low of EUR 13.11, the share price averaging EUR 16.42. The share closed at EUR 14.40, showing a 15% price decrease during the year. On December 31, 2007, the company's market capitalization, excluding treasury shares, totaled EUR 1,745 million (2,060).

On August 29, 2007, the State of Finland sold 40,097,420 Kemira Oyj shares to Finnish investors. The sold shares represented 32.1% of Kemira Oyj's shares. As a result of the transaction, the State of Finland's shareholding and voting rights fell to 16.52%. The State of Finland announced that the shares sold were divided between buyers as follows:

- Oras Invest Oy 15.6%
- Jari, Jukka and Pekka Paasikivi 1.5% (0.5% each)
- Varma Mutual Pension Insurance Company 8.00%
- Ilmarinen Mutual Pension Insurance Company 3.60%
- Suomi Mutual Life Assurance Company 1.92%
- Sampo Life Insurance Company 1.45%.

After the transaction, Kemira's main shareholder is Oras Invest Oy and its owners, members of the Paasikivi family.

During the financial year, a total of 77,389 new shares were registered following subscriptions using warrants under the 2001 stock option program. Following the corresponding increase of share capital, on the balance sheet date the company's share capital totaled EUR 221.8 million and the number of registered shares 125,045,000. The 2001 stock option program ended in May 2007.

On December 31, 2007, Kemira held 3,854,465 million treasury shares, representing 3.1% of all outstanding company shares. In February 2007, under the authorization by the Annual General Meeting, Kemira transferred 144,143 treasury shares in its possession to persons covered by the share bonus system for management. In 2007, a total of 18,938 of the shares transferred as part of this incentive plan returned to the company due to terminations of employment, in accordance with the plan's terms and conditions.

BOARD OF DIRECTORS AND AUDITORS

The Annual General Meeting on April 16, 2007 decided that the number of members of the Board of Directors be seven. The AGM elected the following Board members for 2007: Anssi Soila (Chairman), Eija Malmivirta (Vice Chairman), Elizabeth Armstrong, Heikki Bergholm, Ove Mattsson, Kaija Pehu-Lehtonen and Markku Tapio.

In an Extraordinary General Meeting held on October 4, 2007, a decision was made to keep the number of Board members at seven. Pekka Paasikivi was elected as the Chairman and new member of the Board of Directors, and Juha Laaksonen as a new Board member. The current members, Elizabeth Armstrong, Eija Malmivirta, Ove Mattsson, Kaija Pehu-Lehtonen and Markku Tapio were elected to continue as Board members until the end of their current terms.

The Board of Directors met 13 times during 2007.

The AGM elected Aulis Ranta-Muotio as Supervisory Board Chairman, Mikko Elo as the first Vice Chairman and Heikki A. Ollila as the second Vice Chairman, and the following as Supervisory Board members: Pekka Kainulainen, Mikko Långström, Susanna Rahkonen, Risto Ranki and Katri Sarlund.

The EGM of October 4, 2007 decided to dissolve the Supervisory Board.

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

AGM AND EGM DECISIONS

In accordance with the decision of the Annual General Meeting of April 16, 2007, a dividend of EUR 0.48 per share was paid. Occurring on April 26, 2007, the total dividend payout totaled EUR 58.2 million.

The AGM decided that the Articles of Association be altered as follows:

- Article 3 be removed, with respect to the minimum and maximum share capital, the minimum and maximum number of shares and voting rights conferred by Company shares;
- Article 4, with respect to the Company's shares being included in the book-entry system, and Article 5, with respect to the procedure governing the dividend record date, be removed;
- Article 7, with respect to the Supervisory Board members' terms, be altered in such a way that a Supervisory Board member's term span the period from his/her election until the end of the next AGM, instead of one year;
- Article 10, with respect to the Supervisory Board's duties, be altered in such a way that the Supervisory Board's duty be to supervise the Company's administration for which the Board of Directors and the Managing Director bear responsibility;

– Article 13 be altered in such a way that "to sign the Company's business name" become "to have the right to represent the Company";
– Article 15 be altered in such a way that the Company has one auditor, who must be a firm of Authorized Public Accountants and, additionally, the stipulation on the auditor's age limit be removed from the said Article 15;
– A reference to the share purchase obligation pursuant to Article 31 be removed from Article 17;
– Clause 2 of Article 18 be removed;
– The terminology of Article 20, with respect to the Annual General Meeting, be specified as required by the new Limited Liability Companies Act and the alterations of the Articles of Association;
– Articles 21–36 be removed, with respect to share redemption;
– Article 37 "In other respects, the regulations of the Companies Act currently in force shall be observed" be removed.

The AGM authorized the Board to decide to issue a maximum of 12,500,000 new shares and/or transfer a maximum of 3,848,877 treasury shares held by the company either against payment or, as part of the implementation of the Company's share-based incentive plan, without payment ("Share issue authorization"). The new shares may be issued and the treasury shares 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 this is justified for the purpose of implementing the Company's share-based incentive plan. Furthermore, the 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 new shares and the amount payable for treasury shares shall be recognized under unrestricted equity. The share issue authorization will remain valid until the end of the next AGM. The share issue authorization has not been used.

The AGM decided that a Nomination Committee be re-established in order to enable Kemira to prepare proposals for Board member candidates and Board emoluments, for the next AGM. The right to appoint Nomination Committee members, representing Company shareholders, will rest with the three largest shareholders who account for the largest share of the votes conferred by all of the Company's shares on November 1, preceding the AGM. In November 2007, the following persons were elected to the Nomination Committee: Pekka Timonen, Director General, Prime Minister's Office; Jari Paasikivi, CEO, Oras Invest Oy; and Risto Murto, Senior Vice President, Chief Investment Officer, Varma Mutual Pension Insurance Company. Pekka Paasikivi, Kemira Oyj's Board Chairman, is acting as an expert member of the Nomination Committee.

An Extraordinary General Meeting of Kemira Oyj was held on October 4, 2007. The EGM elected members of the Board of Directors, the number of whom remained at seven. Pekka Paasikivi was elected as the Chairman and new Board member, and Juha Laaksonen was elected as a new Board member. The current members, Elizabeth Armstrong, Eija Malmivirta, Ove Mattsson, Kaija Pehu-Lehtonen and Markku Tapio will continue as members of the Board of Directors until the expiry of their current terms.

The EGM decided to dissolve the Supervisory Board and to amend the Articles of Association as follows:

1. Articles 5 and 8 of the Articles of Association regarding Supervisory Board were deleted; and
2. Articles 4, 7 and 18, items 3 and 7–10 of the Articles of Association were amended so that references to the Supervisory Board and its Chairman, Vice Chairmen and members were deleted.

At its constitutive meeting, the Board of Directors of Kemira Oyj elected members from among the Board for the Audit Committee and the Nomination and Compensation Committee. The Board's Audit Committee members are Juha Laaksonen, Eija Malmivirta and Kaija Pehu-Lehtonen. The Audit Committee is chaired by Juha Laaksonen. The Board's Nomination and Compensation Committee members are Pekka Paasikivi, Ove Mattsson and Markku Tapio. The Committee is chaired by Pekka Paasikivi.

APPOINTMENTS IN KEMIRA MANAGEMENT

At the end of October, Kemira Oyj's Board of Directors appointed Harri Kerminen, M.Sc. (Eng.), MBA, 56, as the new CEO of Kemira Oyj as of January 1, 2008. Previously, Harri Kerminen was President of Pulp&Paper, Kemira's largest business area.

With effect from the same date, Kemira's President and CEO, Lasse Kurkilahti, became Senior Adviser to the Board of Kemira Oyj. Mr. Kurkilahti will remain as Senior Adviser for the first quarter of 2008, after which his contract as President and CEO will come to an end in line with a prior agreement.

Harri Kerminen has held his previous position as President of Kemira Pulp&Paper since 2006. Prior to that, he was responsible for the Kemira Specialty business. In his earlier career with Kemira, he has acted as e.g. Vice President HR of Kemira Chemicals Oy, Manager of the Oulu plants as well as working on various challenging production site projects both in Finland and abroad.

In December, Jyrki Mäki-Kala, 46, was appointed President of Kemira Pulp&Paper and member of Kemira's Management Board as of January 1, 2008. Mr. Mäki-Kala is vacating his post as Vice President, Finance & Control in Kemira Pulp&Paper business area, prior to which he had occupied several international business management positions in Kemira and in Finnish Chemicals. In his new post, he will report to Kemira's CEO Harri Kerminen.

CHANGES IN GROUP STRUCTURE

During the financial year, a number of acquisitions and divestments were made. These are covered in further detail under the sections concerning the various business areas.

PARENT COMPANY'S FINANCIAL PERFORMANCE

The parent company posted revenue of EUR 279.7 million (266.1) and an operating loss of EUR 22.3 million (operating loss EUR 53.1 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 28.9 million (+3.8). Net profit was EUR 2.7 million (2.6) and capital expenditure totaled EUR 54.4 million (30.4), excluding investments in subsidiaries.

DIVIDEND PROPOSAL

The Board of Directors will propose a per-share dividend of EUR 0.50 for 2007, corresponding to a dividend payout ratio of 95%. Excluding non-recurring write-downs the payout ratio is 57%. For the financial year 2006, Kemira paid out a dividend of EUR 0.48 per share. According to the Board's proposal, the dividend record date is March 26, 2008, and the payment date April 2, 2008.

STRATEGIC REVIEW AND FINANCIAL TARGETS

Towards the end of the year 2007, a strategic review was commenced in Kemira Group. Based on that, Kemira is seeking to be a group of global and leading chemical businesses with unique positions in selected customer segments. Kemira aims at:

- High profitability: world-class efficiency and full utilization of synergies
- Continuous growth: reinforcing current customer segments, seizing new business opportunities and segments and strengthening business in the emerging markets
- A performance driven culture, based on shared values, which inspires growth and renewal.

In the framework of the strategic review, decisions have been made to further develop and enhance expertise and business related to chemical water treatment solutions. The basis of Kemira's water treatment solutions lies in an efficient use of water in industrial processes and in society. In order to attain its targets, Kemira will align the operations of Kemira Pulp&Paper and Kemira Water to ensure that all synergy benefits within and between those business areas will be captured. Reflecting the special features of Kemira Coatings business, Kemira has decided to emphasize its independent nature by changing the steering structure to include a separate Board of Directors with partly external members. Kemira Specialty will be developed by maximization of profitability and cash flow.

The purpose of the strategy review is to enhance the Group's profitability and to secure future growth, and the overall review results will be ready during the first half of the year.

Kemira Group's objective is to continuously increase shareholder value. The Group's financial targets include organic growth in sales of more than 5%, operating profit of more than 10%, a positive net cash flow after capital expenditure and dividends paid, and continuous improvement in return on capital employed. Gearing comfort zone is between 40–80%. Kemira's dividend policy aims at a payout of 40–60% of the Group's operative net profit.

OUTLOOK FOR 2008

Due to the uncertainty prevailing in the world economy and particularly to the increase in prices of oil-based raw materials and energy, at least first quarter profits will be challenging. Kemira Group's growth is expected to continue moderately in 2008, chiefly through organic growth. As a result of enhancing of production and other operations, operating profit and earnings per share (excluding non-recurring items) are estimated to grow from the 2007 level.

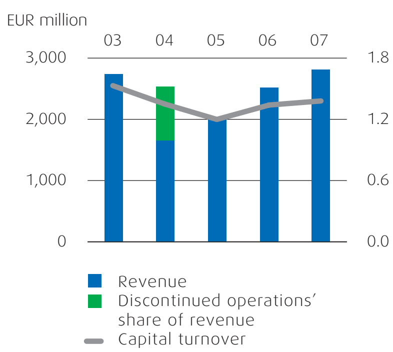
The revenue for Kemira Pulp&Paper and Kemira Water will change due to internal regrouping of customer segments between these business areas in the beginning of 2008. The change will decrease Kemira Water's revenue for 2007 by around EUR 44 million, increase Kemira Pulp&Paper's revenue by around EUR 25 million and decrease eliminations between these businesses by around EUR 19 million. This change will not have a significant effect on the operating profit of the businesses. Kemira Pulp&Paper's and Kemira Water's combined revenue is estimated to grow from the 2007 level.

Global demand from Kemira Pulp&Paper's customer industries is estimated to remain good. Restructuring of customer industries' operations in North America and Europe will affect Kemira Pulp&Paper's growth and will put pressure on the 2008 result and is requiring counter measures to improve the profitability. Generation of growth for the business area is projected to come principally from the emerging markets, including the first year of operation of the pulp chemical plant in Uruguay. Kemira Water is expected to have a good organic growth. During 2008, Kemira Water will focus on the integration of acquirees, new product development and profitability improvement. In Kemira Specialty the demand for titanium dioxide, organic acids and sodium percarbonate is expected to be good. The average sales price in euros for titanium dioxide is not expected to rise significantly yet during the first half of the year, despite of some implemented price increases in dollar markets. The demand for Kemira Coatings' products is estimated to remain at a good level in most market areas, with the strongest growth anticipated in Russia and other CIS countries.

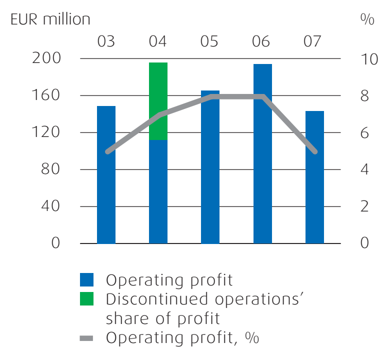
Helsinki, February 6, 2008
Board of Directors

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.

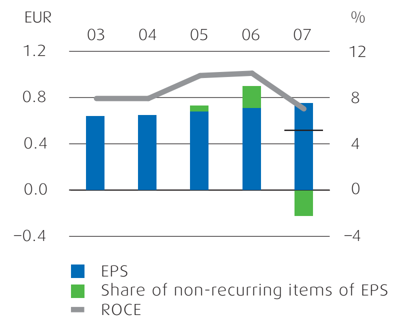
Revenue



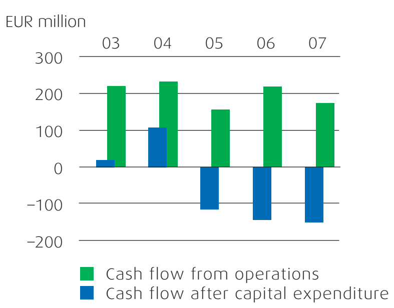
Operating profit



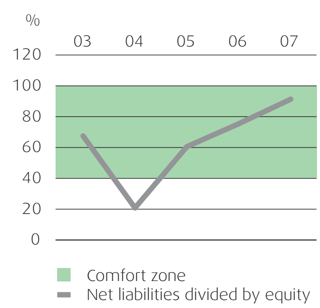
EPS/ROCE



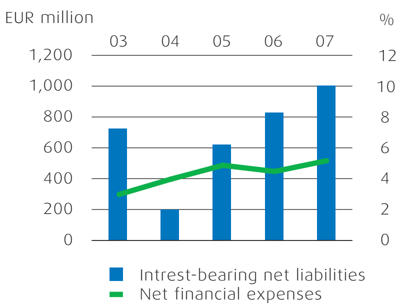
Cash flows



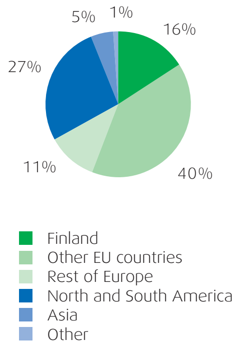
Gearing



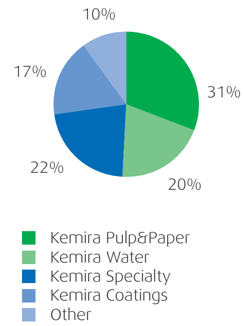
Net liabilities and financial expenses



Revenue by region

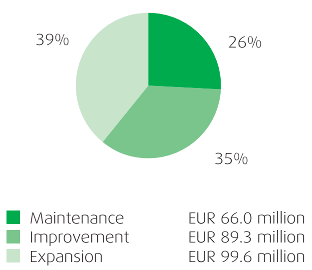


Capital expenditure by business area *



* Excluding acquisitions

Capital expenditure by character *



* Excluding acquisitions

PER SHARE FIGURES

	2007	2006	2005	2004	2003
Per share figures					
Earnings per share, EUR [1) 3) 5)]	**0.53**	0.90	0.73	0.65	0.64
Earnings per share, diluted, EUR [1) 3) 5)]	**0.53**	0.90	0.73	0.65	0.64
Earnings per share excluding write-downs, basic and diluted, EUR [1)]	**0.87**	0.90	0.73	0.65	0.64
Cash flow from operations per share, EUR [1)]	**1.42**	1.79	1.29	2.20	1.85
Dividend per share, EUR [1) 2) 4)]	**0.50**	0.48	0.36	0.34	1.67
Dividend payout ratio, % [1) 2) 3) 4)]	**95.2**	53.4	49.1	53.1	51.5
Dividend yield [1)]	**3.5**	2.8	2.7	3.4	18.0
Equity per share, EUR [1) 3)]	**8.85**	8.85	8.33	7.69	8.77
Price per earnings per share (P/E ratio) [1) 3)]	**27.40**	18.96	18.40	15.63	14.38
Price per equity per share [1)]	**1.63**	1.92	1.62	1.32	1.09
Price per cash flow per share [1)]	**10.14**	9.50	10.45	4.62	4.97
Dividend paid, EUR million [2) 4)]	**60.6**	58.1	43.5	40.9	199.6
Share price and turnover					
Share price, year high, EUR	**19.20**	17.17	14.02	11.69	9.30
Share price, year low, EUR	**13.11**	11.07	9.86	9.20	5.75
Share price, year average, EUR	**16.42**	14.19	11.59	10.45	7.39
Share price, end of year, EUR	**14.40**	17.03	13.48	10.16	9.20
Number of shares traded (1,000), Helsinki	**151,643**	76,252	65,578	41,991	23,011
% of number of shares	**125**	63	54	34	19
Market capitalisation, end of year, EUR million	**1,745.1**	2,060.4	1,627.2	1,222.3	1,087.2
Increase in share capital					
Average number of shares (1,000) [1)]	**121,164**	120,877	120,628	119,187	118,170
Average number of shares, diluted (1,000) [1)]	**121,194**	121,051	121,024	120,202	119,270
Number of shares at end of year (1,000) [1)]	**121,191**	120,988	120,714	120,306	118,170
Number of shares at end of year, diluted (1,000) [1)]	**121,191**	121,204	121,057	120,707	119,620
Increase in number of shares (1,000)	**203**	274	408	2,136	-
Share capital, EUR million	**221.8**	221.6	221.3	220.7	217.0
Increase in share capital – share options, EUR million	**0.2**	0.3	0.6	3.7	-

1) Number of shares outstanding, excluding the number of shares bought back.

2) The 2007 dividend is the Board of Directors' proposal to the Annual General Meeting.

3) Year 2006 error has been corrected, Note 38.

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 non-recurring impairment EUR 0.50 per share.

FINANCIAL FIGURES

	2007	2006 [2]	2005	2004 Continuing	2004	2003
Income statement and profitability						
Revenue, EUR million	**2,810**	2,523	1,994	1,695	2,533	2,738
Foreign operations, EUR million	**2,370**	2,159	1,642	1,453	2,124	2,282
Sales in Finland, %	**15**	17	18	14	16	17
Exports from Finland, %	**12**	16	21	27	24	25
Sales generated outside Finland, %	**73**	67	61	59	60	58
Operating profit, EUR million [1]	**143**	194	166	112	196 [4]	149
% of revenue	**5**	8	8	7	8	5
Share of profit or loss of associates, EUR million [1]	**2**	–2	–2	–4	–3	–6
Financial income and expenses (net), EUR million [3]	**52**	37	30	57	68 [3]	22
% of revenue	**2**	1	2	3	3	1
Interest cover [1]	**6**	9	9	4	5 [3]	12
Gains and losses on discontinued operations, EUR million [4]	**-**	-	-	-	40 [4]	-
Profit before tax, EUR million	**93**	154	134	51	125	121
% of revenue	**3**	6	7	3	5	4
Net profit for the period (attributable to equity holders of the parent), EUR million	**64**	109	88	15	78	76
Return on investment (ROI), %	**8**	12	11	6	11	8
Return on equity (ROE), %	**6**	10	9	2	8	7
Return on capital employed (ROCE), %	**7**	10	10	8	11	8
Research and development expenses, EUR million [5]	**66**	55	43	39	45	48
% of revenue	**2**	2	2	2	2	2
Cash flow						
Cash flow from operations, EUR million	**172**	217	156	231	262	219
Disposals of subsidiaries and property, plant and equipment, EUR million	**-**	103	132	42	191	36
Capital expenditure, EUR million	**321**	462	402	165	215	236
% of revenue	**11**	18	20	10	9	9
Cash flow after capital expenditure, EUR million	**–149**	–142	–115	108	238	19
Cash flow return on capital invested (CFROI), %	**8**	12	10	13	13	11
Balance sheet and solvency						
Non-current assets, EUR million	**1,877**	1,811	1,617	1,135	1,135	1,534
Shareholders' equity (attributable to equity holders of the parent), EUR million	**1,072**	1,070	1,005	928	928	1,036
Shareholders' equity including minority interest, EUR million	**1,087**	1,083	1,019	956	956	1,068
Liabilities, EUR million	**1,741**	1,687	1,312	1,087	1,087	1,518
Total assets, EUR million	**2,828**	2,769	2,331	2,043	2,043	2,586
Interest-bearing net liabilities, EUR million	**1,003**	827	620	201	201	725
Equity ratio, %	**39**	39	44	47	47	41
Gearing, %	**92**	76	61	21	21	68
Interest-bearing net liabilities / EBITDA	**3.2**	2.6	2.2	0.9	0.6	2.3
Personnel						
Personnel (average)	**10,008**	9,186	7,717	7,110	9,714	10,536
of whom in Finland	**3,033**	3,150	3,146	2,957	3,986	4,596
Exchange rates						
Key exchange rates (31 December)						
USD	**1.472**	1.317	1.180	1.362	1.362	1.263
SEK	**9.442**	9.040	9.388	9.021	9.021	9.080
PLN	**3.594**	3.831	3.860	4.085	4.085	4.702

[1] The share of profit or loss of associates is presented after financial expenses.

[2] Year 2006 error has been corrected, Note 38.

[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 2007 include EUR 5.1 million (EUR 3.8 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, %

Number of shares traded as a percentage of 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), %

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

Return on equity (ROE), %

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

Cash flow return on investment (CFROI), %

$$\frac{\text{Cash flow from operations x 100}}{\text{(Total assets - interest-free liabilities)*}}$$

Return on capital employed (ROCE), %

$$\frac{\text{Operating profit + share of profit or loss of associates x 100}}{\text{(Net working capital + property, plant and equipment available for use + intangible assets + investments in associates)*}}$$

Capital turnover

$$\frac{\text{Revenue}}{\text{(Net working capital + property, plant and equipment available for use + intangible assets + investments in associates)*}}$$

Interest-bearing net liabilities / EBITDA

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

Net financial cost, %

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

* Average

Consolidated income statement (IFRS)

EUR million

	Note	1.1.–31.12.2007	1.1.–31.12.2006*
Revenue	2, 3	2,810.2	2,522.5
Other operating income	4	45.9	59.2
Cost of sales	5, 6, 7, 8	–2,539.2	–2,264.5
Depreciation and impairments	9	–173.8	–123.5
Operating profit	2	143.1	193.7
Financial income		182.0	131.8
Financial expense		–233.9	–169.0
Financial income and expenses, net	10	–51.9	–37.2
Share of profit or loss of associates	2, 10	2.1	–2.3
Profit before tax		93.3	154.2
Income tax	11	–25.8	–42.0
Net profit for the period		67.5	112.2
Attributable to:			
Equity holders of the parent		63.7	108.6
Minority interest		3.8	3.6
Net profit for the period		67.5	112.2
Earnings per share, EUR	12	0.53	0.90
Earnings per share, diluted, EUR	12	0.53	0.90
Earnings per share excluding write-downs, basic and diluted, EUR	12	0.87	0.90

* Year 2006 error has been corrected, Note 38.

Consolidated balance sheet (IFRS)

EUR million

	Note	31.12.2007	31.12.2006*
ASSETS			
Non-current assets			
Goodwill	13	626.6	581.0
Other intangible assets	13	112.3	108.9
Property, plant and equipment	14	984.3	987.1
Investments			
Holdings in associates	34, 16	5.5	8.1
Available-for-sale investments	16, 18	102.2	84.3
Deferred tax assets	22	5.2	7.7
Defined benefit pension receivables		34.6	24.6
Other investments		6.4	9.5
Total investments		153.9	134.2
Total non-current assets		1,877.1	1,811.2
Current assets			
Inventories	17	311.2	293.2
Receivables	18, 19		
Interest-bearing receivables		3.2	9.1
Interest-free receivables		528.5	551.8
Current tax assets		19.6	13.6
Total receivables		551.3	574.5
Money market investments – cash equivalents	33	21.4	35.0
Cash and cash equivalents	33	31.2	41.1
Total current assets		915.1	943.8
Non-current assets held for sale	37	35.7	14.4
Total assets		2,827.9	2,769.4
EQUITY AND LIABILITIES			
Equity			
Share capital		221.8	221.6
Capital paid-in in excess of par value		257.9	257.9
Treasury shares		–25.9	–26.8
Fair value reserve		68.2	130.9
Retained earnings		550.0	554.5
Equity attributable to equity holders of the parent		1,072.0	1,069.9
Minority interest		15.3	12.6
Total equity		1,087.3	1,082.5
Non-current liabilities			
Interest-bearing non-current liabilities	18, 21, 25, 26	431.1	395.1
Deferred tax liabilities	22	105.5	105.9
Pension liabilities	27	74.2	66.8
Provisions	23	18.8	63.3
Total non-current liabilites		629.6	631.1
Current liabilities			
Interest-bearing current liabilities	18, 24, 25, 26	625.0	508.5
Interest-free current liabilities	24	463.9	508.2
Current tax liabilities	24	9.7	14.7
Provisions	23	6.2	15.5
Total current liabilities		1,104.8	1,046.9
Liabilities directly associated with non-current assets classified as held for sale	37	6.2	8.9
Total liabilities		1,740.6	1,686.9
Total equity and liabilities		2,827.9	2,769.4

* Year 2006 error has been corrected, Note 38.

Consolidated cash flow statement (IFRS)

EUR million

	Note	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		145.2	199.4
Adjustments to operating profit *		−37.9	−91.0
Depreciation and impairments		173.8	123.6
Interest received		-	12.5
Interest paid		−36.3	−42.9
Dividend income		2.0	2.0
Other financial items		-	−1.3
Income tax paid		−35.6	−45.1
Total funds from operations		211.2	157.2
Change in net working capital			
Change in inventories		−7.2	−8.1
Change in current receivables		19.3	−51.8
Change in interest-free current liabilities		−51.2	119.5
Change in net working capital, total		−39.1	59.6
Total cash flows from operations		172.1	216.8
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of subsidiaries	28	−66.1	−297.3
Acquisitions of associates		−0.5	−0.1
Purchase of other shares		−8.3	−1.1
Purchase of other property, plant and equipment		−246.1	−163.5
Disposal of subsidiaries	28	18.7	41.8
Disposal of associates		−37.4	-
Proceeds from sale of other shares		-	1.4
Proceeds from sale of other property, plant and equipment		18.5	59.6
Net cash used in investing activities		−321.2	−359.1
Cash flow before financing		−149.1	−142.3
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in non-current loans (increase +, decrease −)		53.7	173.4
Change in non-current loan receivables (increase −, decrease +)		2.5	1.5
Short-term financing, net (increase +, decrease −)		117.8	33.8
Dividends paid		−60.8	−46.3
Share issue		0.2	0.3
Other		12.1	−0.4
Net cash used in financing activities		125.5	162.2
Net change in cash and cash equivalents		−23.6	19.9
Cash and cash equivalents at end of year		52.6	76.2
Cash and cash equivalents at beginning of year		76.2	56.3
Net change in cash and cash equivalents		−23.6	19.9

* 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.

In the 2006 cash flow statement, the income from insurance payments related to the property damage part of the Helsingborg sulphuric acid tank accident is reported as part of the cash flows from investing activities. The business interruption compensation is included in cash flows from operation.

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 reserve	Exchange differences	Treasury shares	Retained earnings	Minority interest	Total
Shareholders' equity at January 1, 2006	221.3	257.8	67.1	−33.9	−27.5	520.7	13.7	1,019.2
Net profit for the financial period *	-	-	-	-	-	108.6	3.6	112.2
Dividends paid	-	-	-	-	-	−43.6	−2.8	−46.4
Treasury shares issued to key employees	-	-	-	-	0.7	−0.7	-	0.0
Options subscribed for shares	0.3	0.1	-	-	-	-	-	0.4
Exchange differences	-	-	-	−1.5	-	-	0.4	−1.1
Hedge of net investment 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
Share-based compensation	-	-	-	-	-	1.1	-	1.1
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	257.9	62.7	−30.9	−26.8	585.4	12.6	1,082.5
Shareholders' equity at January 1, 2007	**221.6**	**257.9**	**62.7**	**−30.9**	**−26.8**	**585.4**	**12.6**	**1,082.5**
Net profit for the financial period	**-**	**-**	**-**	**-**	**-**	**63.7**	**3.8**	**67.5**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**−58.2**	**−2.6**	**−60.8**
Available-for-sale assets – change in fair value	**-**	**-**	**7.2**	**-**	**-**	**-**	**-**	**7.2**
Treasury shares issued to key employees	**-**	**-**	**-**	**-**	**0.8**	**−0.8**	**-**	**0.0**
Options subscribed for shares	**0.2**	**-**	**-**	**-**	**-**	**-**	**-**	**0.2**
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**
Share-based compensation	**-**	**-**	**-**	**-**	**-**	**1.1**	**-**	**1.1**
Transfer between restricted and non-restricted equity	**-**	**-**	**0.2**	**-**	**-**	**−0.2**	**-**	**0.0**
Other changes	**-**	**-**	**-**	**-**	**0.1**	**0.1**	**0.2**	**0.4**
Shareholders' equity at December 31, 2007	**221.8**	**257.9**	**68.2**	**−41.1**	**−25.9**	**591.1**	**15.3**	**1,087.3**

* Year 2006 error has been corrected, Note 38.

EUR million

Changes in share volume

In (1,000)	Shares outstanding	Treasury shares	Total
Jan. 1, 2006	120,714	4,088	124,802
Options subscribed for shares	166	-	166
Treasury shares issued to key employees	117	–117	-
Shares from the share-based arrangement given back	–9	9	-
Dec. 31, 2006	120,988	3,980	124,968
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**

Kemira had in its possession 3,854,465 of its treasury shares at December 31, 2007. 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 thorugh 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.

1.

COMPANY PROFILE

Kemira is a chemicals group made up of four business areas: Kemira Pulp&Paper (pulp and paper chemicals), Kemira Water (water treatment chemicals), Kemira Specialty (specialty chemicals) and Kemira Coatings (paints).

Kemira is seeking to be a global group of leading chemical businesses with a unique competitive position and a high degree of mutual synergy. 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, Kemira Oyj, is domiciled in Helsinki, Finland, and its registered address is Porkkalankatu 3, FI-00180 Helsinki.

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. Kemira has applied IFRS since the financial year 2004 and applied IFRS 1 First-time Adoption of IFRS on January 1, 2003, the date of transition to IFRS. The Group has applied the standards effective as of December 31, 2007 to the financial year 2007, including comparatives for the financial year 2006.

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.

Since January 1, 2007, the Group has applied the following revised standards:

- IFRS 7 Financial Instruments: Disclosures. The introduction of this standard increased the number of notes to be disclosed in the consolidated financial statements.
- Revision of IAS 1 regarding the presentation of equity in the financial statements. The application of these provisions increased the amount of information provided in the notes to the consolidated financial statements.

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 the net assets acquired is allocated partly 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, 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 on 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 last confirmed 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 normal 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 make 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 (TEL) 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 TEL 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 8 to the Consolidated Financial Statements, Share-based payments, provides information on the 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 preparing the financial statements or enacted by the balance sheet date for the following financial year are used in calculating 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 recognition 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 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. The 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.

At their inception, finance leases 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 arrangements as leases 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. Net realizable value is the estimated selling price of an inventory item less the estimated costs of sale. The cost of finished goods and work in process include an allocable proportion of production overheads.

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 for it. 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, propane futures, certificates of deposit, commercial papers, mutual funds	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	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 up to the time of sale, at which point they are derecognized and transferred to the income statement. Available-for-sale financial assets include shares in listed and non-listed companies, 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.

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 liabilities at fair value through profit or loss	Forward contracts, currency options, currency swaps, forward rate agreements, interest rate futures, interest rate options, electricity forwards, interest rate swaps	Fair value
Other liabilities	Short and long-term loans, pension loans	(Amortized) acquisition cost

The fair values of forward rate agreements 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. 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.

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.

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 are transferred from the company on the selling date. The related expenses are charged to financial expenses.

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 hedge and hedge of a net investment in a foreign operation.

Cash flow hedge 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 hedge. 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 recorded 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. 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, and it includes 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 has defined its strategic business unit as a cash-generating unit. The level of a strategic business unit is one notch down from a business area.

Goodwill impairment is tested by comparing the strategic business unit'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 strategic business units.

The recoverable amount of a strategic business unit 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 was 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 15 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 should be 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 trading

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 the 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 32 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, in light of 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 investment. 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 exact 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 this case, the change will affect the taxes in future periods.

EUR million

Changes to the accounting policies after December 31, 2007

The Group has not applied the following standards, whose use is not mandatory for the financial year starting on January 1, 2007, but which can be applied prior to their effective date:

- IFRS 8 (Operating Segments) was adopted in November 2006. The Group estimates that the new standard will not have any material effect on its current segment reporting. The adoption of the standard will primarily affect the way in which segment information is presented in the notes.
- Revision of IAS 23 (Borrowing costs) was adopted in March 2007. In the future, the acquisition cost of assets meeting the criteria will include the borrowing costs incurred directly from the acquisition, construction or manufacture of the asset in question. The Group will continue to apply the currently permitted method to expense borrowing costs in the financial year in which they incurred. The adoption of the new standard will not have any material effect on the future financial statements.
- IAS 1 revision (Presentation of Financial Statements). The Group estimates that the revision will mainly affect the presentation of the income statement and the statement of changes in equity.

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

- IFRIC 11 interpretation of IFRS 2 Group and Treasury Share Transactions was adopted in November 2006.
- IFRIC 12 (Service Concession Arrangements) was adopted in November 2007.
- IFRIC 13 (Customer Loyalty Programmes) was adopted in June 2007
- IFRIC 14 (IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) was adopted in July 2007.

2. SEGMENT DATA

Business segments

At the beginning of 2007, the Group was organized in the following main business areas: Kemira Pulp&Paper, Kemira Water, Kemira Specialty and Kemira Coatings. 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.

2007	Kemira Pulp&Paper	Kemira Water	Kemira Specialty	Kemira Coatings	Other	Group
Income statement						
External revenue	1,005.9	704.2	410.3	625.2	64.6	**2,810.2**
Intra-Group revenue	12.4	26.3	15.6	-	–54.3	**-**
Total revenue	1,018.3	730.5	425.9	625.2	10.3	**2,810.2**
Operating profit	66.8	45.0	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	1,001.0	602.7	499.9	397.7	86.7	**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	149.6	119.5	68.6	84.2	51.8	**473.7**
Unallocated liabilities						**1,266.9**
Consolidated liabilities, total						**1,740.6**
Capital expenditure	–78.4	–105.2	–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	43.9	35.9	31.8	51.4	9.1	**172.1**
Net capital expenditure	–69.1	–100.8	–58.1	–30.7	–62.5	**–321.2**

EUR million

2006	Kemira Pulp&Paper	Kemira Water	Kemira Specialty	Kemira Coatings	Other *	Group
Income statement						
External revenue	980.5	458.2	442.1	562.8	78.9	2,522.5
Intra-Group revenue	12.8	9.4	14.1	-	−36.3	-
Total revenue	993.3	467.6	456.2	562.8	42.6	2,522.5
Operating profit	90.8	35.3	45.8	72.1	−50.3	193.7
Share of profit or loss of associates	−0.5	0.6	-	1.4	−3.9	−2.3
Other information						
Assets of businesses	1,031.8	532.1	531.0	398.8	27.2	2,520.9
of which holdings in associates	0.4	4.4	-	3.3	-	8.1
Unallocated assets						240.4
Consolidated assets, total						2,769.4
Liabilities of businesses	243.1	288.1	93.2	98.4	48.1	770.9
Unallocated liabilities						916.0
Consolidated liabilities, total						1,686.9
Capital expenditure	−166.4	−202.2	−32.1	−46.9	−14.4	−462.0
Impairments and reversals of impairments	−2.1	−0.6	-	-	−1.5	−4.2
Other non-cash items	−1.6	−0.9	-	-	−4.7	−7.3
Non-current assets held for sale	3.5	-	-	0.3	10.6	14.4
Cash flows						
Cash flows from operations	106.4	38.2	73.0	55.1	−56.0	216.8
Net capital expenditure	−130.2	−194.2	−20.9	−8.3	−5.5	−359.1

* Year 2006 error has been corrected, Note 38.

Geographical segments	2007	2006
Revenue		
Finland	**440.5**	442.8
Other EU countries	**1,146.0**	1,001.1
Rest of Europe	**305.4**	270.1
North and South America	**750.6**	663.5
Asia	**134.9**	121.9
Other countries	**32.8**	23.1
Total	**2,810.2**	2,522.5
Assets		
Finland	**988.3**	935.6
Other EU countries	**1,099.9**	1,122.0
Rest of Europe	**109.3**	104.4
North and South America	**582.2**	548.1
Asia	**46.2**	57.1
Other countries	**2.0**	2.1
Total	**2,827.9**	2,769.4

EUR million

Geographical segments	2007	2006
Capital expenditure		
Finland	99.3	62.8
Other EU countries	106.7	193.4
Rest of Europe	21.2	31.9
North and South America	86.0	160.1
Asia	7.8	12.9
Other countries	-	0.9
Total	321.0	462.0

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.

3. REVENUE

	2007	2006
Revenue by business segment		
Kemira Pulp&Paper	1,018.3	993.3
Kemira Water	730.5	467.6
Kemira Specialty	425.9	456.2
Kemira Coatings	625.2	562.8
Other and intra-Group sales	10.3	42.6
Total	2,810.2	2,522.5
Revenue by geographical segment, as a percentage of total revenue		
Finland	16	18
Other EU countries	40	39
Rest of Europe	11	11
North and South America	27	26
Asia	5	5
Other countries	1	1
Total	100	100

4. OTHER OPERATING INCOME

	2007	2006
Gains on sale of property, plant and equipment	20.4	31.9
Rental income	1.3	1.6
Insurance compensation	4.1	12.5
Consulting	14.3	4.6
Sale of scrap and waste	0.4	0.1
Income from royalties, knowhow and licences	0.5	–0.1
Other income from operations	4.9	8.6
Total	45.9	59.2

Gains on sale of property, plant and equipment in 2007 include gains on sale of subsidiaries (EUR 12.3 million) as well as gains on sale of property and production facilities.

Gains on sale of property, plant and equipment in 2006 include the gains on sale of the manufacturing-facility in Stockholm (EUR 16.4 million) as well as the gains on sale of the Helsingborg facility and the South Korean hydrogen peroxide unit. In 2006, the amount of insurance compensation (EUR 7.6 million) related to sulphuric-acid chamber accident was recognised as other operating income. The amount of insurance compensation equalled to capital expenditure amount.

EUR million

5. COST OF SALES

	2007	2006
Change in inventories of finished goods	13.7	−14.1
Own work capitalised [1]	−5.5	−5.1
Materials and services		
Materials and supplies		
Purchases during the financial year	1,333.3	1,251.7
Change in inventories of materials and supplies	4.3	−8.3
External services [2]	63.3	26.5
Total materials and services	1,400.9	1,269.9
Personnel expenses	461.4	420.4
Rents	43.5	30.0
Loss on sale of property, plant and equipment	1.9	0.4
Other expenses [3]	623.3	563.1
Total	2,539.2	2,264.5

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

[2] External services include audit fees of EUR 1.8 million (EUR 1.9 million) and fees for ancillary services of EUR 1.9 million (EUR 2.3 million) paid to the companies operated by the firm of independent public accountants KPMG, in different countries. Auditing fees and fees for ancillary services paid to auditing companies other than KPMG were EUR 2.5 million (EUR 2.1 million).

[3] Year 2006 error has been corrected, Note 38.

In 2007, income statement included a net decrease in non-current and current provisions amounting to EUR 53.8 million (net decrease EUR 44.4 million).

6. RESEARCH AND DEVELOPMENT EXPENSES

	2007	2006
Research and development expenses total	65.9	55.1

The total research and development expenses for 2007 include EUR 5.1 million (EUR 3.8 million) of depreciations on capitalized research and developmant expenses.

7. EMPLOYEE BENEFITS AND NUMBER OF PERSONNEL

	2007	2006
Emoluments of the Supervisory Board	-	0.1
Emoluments of boards of directors and managing directors [1]	19.5	17.1
Other wages and salaries	340.9	309.0
Pension expenses for defined benefit plans	15.2	8.9
Pension expenses for defined contribution plans	38.5	30.6
Other personnel expenses	47.3	54.7
Total	461.4	420.4

[1] The emolument of Kemira Oyj's managing director was EUR 1,660,727 (1,349,319), including bonuses of EUR 1,003,262 (651,111). The managing director received as part of bonuses 15,300 (13,800) Kemira shares. The emolument of Kemira Oyj's deputy managing director was EUR 773,717 (614,548), including bonuses of EUR 462,257 (327,225). The deputy managing director received as part of bonuses 6,962 (6,900) Kemira shares.

EUR million

Personnel, average	2007	2006
Kemira Pulp&Paper	2,315	2,285
Kemira Water	2,189	1,596
Kemira Specialty	1,066	1,102
Kemira Coatings	3,883	3,541
Other	555	662
Total	10,008	9,186
Personnel in Finland, average	3,033	3,150
Personnel outside Finland, average	6,975	6,036
Total	10,008	9,186
Personnel at year end	10,007	9,327

The personnel of joint ventures consolidated according to the proportionate method of accounting totaled an average of 14 (46 in 2006).

8. 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 corresponding amount on December 31, 2006 was EUR 2.11 per share. 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 and 2006 as follows:	2007 Number of stock options 1000s	2007 Average exercise price EUR / share	2006 Number of stock options 1000s	2006 Average exercise price EUR / share
Stock options outstanding at beginning of period	77		243	
Options exercised				
March	–34	2.11	–36	2.47
April	–1	2.11		
May	–42	1.77		
June–December			–130	2.11
Stock options outstanding and exercisable at end of period	0		77	

The stock option plan 2001 has not been expensed. In accordance with the transitional provisions of IFRS 2, only share-based plans decided after Nov. 7, 2002, are recorded in the income statement.

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 2007 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 94 employees on December 31, 2007 (78).

EUR million

Bonuses payable in shares are charged to personnel expenses and recognised as an addition to equity, while cash bonus payments are charged to personnel expenses and recognised as liabilities. For the share-based plan of 2007 there were no expenses recognised 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 2004: share transfer in 2005 / April 27, 2004	10.35	107,920
Share-based plan in 2005: share transfer in 2006 / March 22, 2005	11.66	116,610
Share-based plan in 2006: share transfer in 2007 / May 2, 2006	17.98	144,143
Returned shares in 2005–2006	10.35	−14,200
Total		354,473
Returned shares in 2007 relating to 2005 share-based plan	11.66	−9,210
Returned shares in 2007 relating to 2006 share-based plan	17.98	−9,718
Total		−18,928
Share transfers and returns of share-based plan		335,545

Expenses arising from share-based payments	2007	2006
Share component	1.3	1.2
Cash component	2.7	2.7
Total	4.0	3.9
Liabilities arising from share-based payments, Dec. 31	−1.1	0.4

9. DEPRECIATION AND IMPAIRMENTS

Depreciation according to plan	2007	2006
Intangible assets		
Intangible assets	21.4	17.1
Property, plant and equipment		
Buildings and constructions	19.9	17.0
Machinery and equipment	91.6	87.1
Other property, plant and equipment	3.0	2.3
Total	135.9	123.5
Impairments		
Intangible assets		
Intangible assets	15.0	-
Goodwill	4.2	-
Property, plant and equipment		
Buildings and constructions	2.9	-
Machinery and equipment	15.8	-
Total	37.9	-
Depreciation and impairments total	173.8	123.5

For more information on impairments see Note 15.

EUR million

10. FINANCIAL INCOME AND EXPENSES

	2007	2006
Financial income		
Dividend income	0.1	-
Interest income from non-current investments	0.3	0.1
Other interest income	20.0	14.5
Other financial income	1.3	0.4
Non hedge accounting interest rate derivatives	-	0.5
Exchange gains	160.3	116.3
Total	182.0	131.8
Financial expenses		
Interest expenses from loans and other receivables	–71.0	–51.6
Other financial expenses	–3.0	–2.0
Non hedge accounting interest rate derivatives	–0.1	-
Exchange losses	–159.8	–115.4
Total	–233.9	–169.0
Total financial income and expenses	–51.9	–37.2
Net financial expenses as a percentage of revenue	1.8	1.5
Net interests as a percentage of revenue	1.8	1.5
Exchange gains and losses		
Realised	–23.8	5.4
Unrealised	24.3	–4.5
Total	0.5	0.9
Share of profit or loss of associates		
Share of profit of associates	2.1	2.5
Share of loss of associates	-	–4.9
Total	2.1	–2.3

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. In 2007, the foreign exchange net loss was EUR 6.0 million. (In 2006 the net loss was EUR 4.5 million.)

Interest income on non-current investments does not include income from associated companies. All other financial items constitute income and expenses from entities others than associates.

11. INCOME TAXES

	2007	2006
Income taxes, current year	23.5	39.5
Income taxes, previous years	–0.1	–0.1
Deferred taxes	1.1	1.4
Other taxes	1.3	1.2
Total	25.8	42.0

EUR million

Tax losses

Certain Group subsidiaries have tax losses totalling EUR 316.9 million (EUR 319.1 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 87% of tax losses.

Comparison of taxes calculated according to the current tax rate with taxes in the income statement	2007	2006
Taxes at current tax rates	45.6	49.9
Taxes from previous financial years	–0.1	–0.1
Tax-free income / non-deductible expenditure	–4.7	7.9
Unapplied losses during the financial year	7.1	3.3
Used tax losses	–20.1	–18.3
Others	–2.0	–0.7
Taxes in the income statement	25.8	42.0

12. EARNINGS PER SHARE

	2007	2006
Earnings per share		
Profit before tax [2]	93.3	154.2
Income taxes for the financial year	–25.8	–42.0
Net profit for the period	67.5	112.2
Attributable to minority interests	–3.8	–3.6
Attributable to equity holders of the parent	63.7	108.6
Weighted average number of shares [1]	121,163,866	120,877,281
Earnings per share, EUR [2]	0.53	0.90
Diluted earnings per share		
Average number of shares [1]	121,163,866	120,877,281
Effect of options outstanding (average)	17,759	141,535
Potential treasury share transaction related to share-based payment arrangement (average)	12,011	31,774
Diluted average number of shares	121,193,636	121,050,590
Diluted earnings per share, EUR [2]	0.53	0.90
Earnings per share excluding write-downs		
Profit before tax [2]	93.3	154.2
Income taxes for the financial year	–25.8	–42.0
Net profit for the period	67.5	112.2
Attributable to minority interest	–3.8	–3.6
Attributable to equity holders of the parent	63.7	108.6
Write-downs [3]	47.1	-
Taxes related to write-downs	–5.1	-
Net profit attributable to equity holders of the parent excluding write-downs	105.7	108.6
Weighted average number of shares [1]	121,163,866	120,877,281
Earnings per share excluding write-downs, basic, EUR [2]	0.87	0.90

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

[2] Year 2006 error has been corrected, Note 38.

[3] For more information on write-downs see Note 15.

EUR million

13. INTANGIBLE ASSETS

	Goodwill	Intangible assets	Prepayments	2007 total
Acquisition cost at beginning of year	677.6	193.2	1.3	**872.1**
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	–1.1	–6.1	-	**–7.2**
Other changes	–1.2	-	–0.1	**–1.3**
Reclassifications	37.5	-	-	**37.5**
Exchange rate differences	–10.6	0.1	–0.1	**–10.6**
Acquisition cost at end of year	723.8	214.9	14.3	**953.0**
Accumulated depreciation at beginning of year	–96.6	–85.6	-	**–182.2**
Accumulated depreciation relating to decreases and transfers	1.1	5.8	-	**6.9**
Depreciation during the financial year	-	–21.4	-	**–21.4**
Impairment and charges	–4.2	–15.0	-	**–19.2**
Exchange rate differences	2.5	–0.7	-	**1.8**
Accumulated depreciation at end of year	–97.2	–116.9	-	**–214.1**
Net carrying amount at end of year	626.6	98.0	14.3	**738.9**

	Goodwill	Intangible assets	Prepayments	2006 Total
Acquisition cost at beginning of year	655.7	137.2	2.9	795.8
Acquisition of subsidiaries	34.0	37.9	-	71.9
Increases	0.1	19.6	–1.6	18.1
Decreases	-	–0.4	-	–0.4
Non-current assets held for sale	-	–0.4	-	–0.4
Other changes	–0.3	–0.4	-	–0.7
Exchange rate differences	–11.9	–0.3	-	–12.2
Acquisition cost at end of year	677.6	193.2	1.3	872.1
Accumulated depreciation at beginning of year	–97.6	–69.2	-	–166.8
Accumulated depreciation relating to decreases and transfers	-	0.3	-	0.3
Depreciation during the financial year	-	–17.1	-	–17.1
Impairment and charges	–0.1	-	-	–0.1
Non-current assets held for sale	-	0.3	-	0.3
Other changes	0.3	0.2	-	0.5
Exchange rate differences	0.8	–0.1	-	0.7
Accumulated depreciation at end of year	–96.6	–85.6	-	–182.2
Net carrying amount at end of year	581.0	107.6	1.3	689.9

There was no goodwill related to associated companies in 2007 and 2006. Apart from goodwill, the Group did not have material intangible assets with indefinite useful lives.

EUR million

14. 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	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**

	Land and water	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Prepayments and non-current assets under construction	2006 total
Acquisition cost at beginning of year	59.6	457.8	1,392.9	38.3	50.8	1,999.4
Acquisition of subsidiaries	4.8	19.8	68.1	2.4	56.8	151.9
Increases	0.2	11.5	75.7	1.8	65.2	154.4
Disposals of subsidiaries	−0.1	−0.1	−0.5	-	-	−0.6
Decreases	−4.2	−9.2	−27.0	−0.8	−0.1	−41.4
Non-current assets held for sale	−9.9	−19.8	−29.3	−2.3	-	−61.3
Other changes	0.3	−1.6	−19.0	−6.5	−1.5	−28.2
Exchange rate differences	1.4	1.2	−7.7	−1.0	−3.1	−9.3
Acquisition cost at end of year	52.2	459.6	1,453.3	31.9	168.0	2,164.9
Accumulated depreciation at beginning of year	−7.7	−219.0	−885.9	−21.9	-	−1,134.5
Accumulated depreciation relating to decreases and transfers	-	5.5	19.3	0.4	-	25.1
Depreciation during the financial year	-	−16.9	−87.1	−2.3	-	−106.3
Impairment and charges	-	−0.4	−0.1	-	-	−0.4
Non-current assets held for sale	-	1.1	4.6	1.4	-	7.1
Other changes	-	5.2	28.1	4.0	-	37.3
Exchange rate differences	-	−6.6	0.3	0.2	-	−6.1
Accumulated depreciation at end of year	−7.7	−231.1	−920.8	−18.2	-	−1,177.8
Net carrying amount at end of year	44.5	228.5	532.4	13.7	168.0	987.1

EUR million

15. IMPAIRMENT TESTS

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

Impairment tests were performed on September 30, 2007, and there have been no significant changes in cash-generating units or other impairment test assumption thereafter.

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

Segment	Carrying amount*		Of which goodwill	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Kemira Pulp&Paper	682	692	322	328
Kemira Water	345	332	123	77
Kemira Specialty	365	361	113	109
Kemira Coatings	204	175	68	65
Total	1,596	1,560	626	579

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

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

Segment	Range of discount rates	
	2007	2006
Kemira Pulp&Paper	7–10%	6–9%
Kemira Water	8–10%	7–8%
Kemira Specialty	8–10%	9–12%
Kemira Coatings	9–10%	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. Only a drastic, simultaneus change in several factors could involve the risk of impairment losses in some units.

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

Impairments recognised 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 the 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 a 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.

EUR million

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.

16. INVESTMENTS

	2007 Holdings in associates	2006 Holdings in associates	2007 Available-for-sale investments	2006 Available-for-sale investments
Carrying amount at beginning of year	8.1	9.2	84.3	83.7
Share of profit or loss of associates	0.1	–0.5	-	-
Increases	0.4	0.1	8.2	1.1
Decreases	–2.9	-	-	–0.6
Change in fair value	-	-	9.7	0.1
Exchange rate differences	–0.2	–0.6	-	–0.1
Net carrying amount at end of year	5.5	8.1	102.2	84.3

	2007	2006
Holdings in associates	5.5	8.1
Available-for-sale investments	102.2	84.3
Other receivables	5.6	7.1
Deferred tax assets	5.2	7.7
Non-current loan receivables	0.8	2.4
Defined benefit pension receivables	34.6	24.6
Total investments	153.9	134.2

Associated companies are specified in Note 34.

17. INVENTORIES

	2007	2006
Materials and supplies	98.7	97.5
Work in process	5.3	3.9
Finished goods	204.4	190.7
Prepayments	2.8	1.1
Total	311.2	293.2

EUR million

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

2007	Note	Financial assets and liabilities *	Loans and other receivables	Available-for-sale investments	Other liabilities	Total carrying amounts by balance sheet item	Total fair value
Non-current financial assets							
Available-for-sale investments	16	-	-	102.2	-	**102.2**	**102.2**
Current financial assets							
Interest-bearing receivables	19	-	3.2	-	-	**3.2**	**3.2**
Interest-free receivables	19	25.6	413.1	-	-	**438.7**	**438.7**
Total		25.6	416.3	102.2	-	**544.1**	**544.1**
Non-current financial liabilities							
Interest-bearing non-current liabilities	21, 25	-	-	-	431.1	**431.1**	**431.1**
Current financial liabilities							
Interest-bearing current liabilities	24, 25	-	-	-	625.0	**625.0**	**625.0**
Interest-free current liabilities	24	7.7	-	-	229.2	**236.9**	**236.9**
Total		7.7	-	-	1,285.3	**1,293.0**	**1,293.0**

* Financial assets and liabilities at fair values through profit and loss.

2006	Note	Financial assets and liabilities *	Loans and other receivables	Available-for-sale investments	Other liabilities	Total carrying amounts by balance sheet item	Total fair value
Non-current financial assets							
Available-for-sale investments	16	-	-	84.3	-	84.3	84.3
Current financial assets							
Interest-bearing receivables	19	-	9.1	-	-	9.1	9.1
Interest-free receivables	19	30.5	436.0	-	-	466.5	466.5
Total		30.5	445.1	84.3	-	559.9	559.9
Non-current financial liabilities							
Interest-bearing non-current liabilities	21, 25	-	-	-	395.1	395.1	395.1
Current financial liabilities							
Interest-bearing current liabilities	24, 25	-	-	-	508.5	508.5	508.5
Interest-free current liabilities	24	1.6	-	-	278.6	280.2	280.2
Total		1.6	-	-	1,182.2	1,183.8	1,183.8

* Financial assets and liabilities at fair values through profit and loss.

19. RECEIVABLES

	2007	2006
Interest-bearing receivables		
Loan receivables	**0.1**	-
Other receivables	**3.1**	9.1
Total interest-bearing receivables	**3.2**	9.1

	2007	2006
Interest-free receivables		
Trade receivables	413.1	436.0
Prepayments	4.5	5.1
Current tax asset	19.6	13.6
Accrued income	67.7	86.9
Other receivables	43.2	23.8
Total interest-free receivables	548.1	565.4
Total receivables	551.3	574.5

Items that are due over one year include trade receivables of EUR 3.8 million (EUR 1.9 million in 2006), prepaid expenses and accrued income of EUR 7.2 million (EUR 0.2 million) and other interest-free receivables of EUR 0.5 million (EUR 0.3 million) as well as loan receivables of EUR 0.1 million and other interest-bearing receivables of EUR 1.6 million (EUR 1.5 million).

	2007	2006
Finance lease receivables – total minimum leases		
Within one year	0.7	0.8
After one year but no more than five years	1.1	1.9
Total	1.8	2.7
Finance lease receivables – the present value of minimum lease payments		
Within one year	0.6	0.8
After one year but no more than five years	1.1	1.8
Total	1.7	2.6
Future finance income	0.1	0.1
Total finance lease receivables	1.8	2.7

20. 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	2007	2006
Wages, salaries and other short-term employee benefits	4.5	4.1
Post-employment benefits	2.0	3.2
Share-based payment	2.8	1.6
Total	9.3	8.9

No loans had been granted to management in the end of 2007 and in 2006, 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 8.

EUR million

Board of Directors emoluments, EUR	2007	2006
Members of the Board of Directors		
Pekka Paasikivi, Chairman (since October 4, 2007)	14,517	-
Anssi Soila, Chairman (until October 4, 2007)	55,265	67,740
Eija Malmivirta, Vice Chairman	52,200	52,200
Elizabeth Armstrong	61,800	57,000
Heikki Bergholm, (until October 4, 2007)	32,393	41,400
Juha Laaksonen, (since October 4, 2007)	9,006	-
Ove Mattson	52,200	45,600
Kaija Pehu-Lehtonen	38,400	38,400
Markku Tapio	40,800	39,600

Supervisory Board emoluments, EUR	2007	2006
Members of the Supervisory Board		
Aulis Ranta-Muotio, Chairman	9,974	12,800
Mikko Elo, I Vice Chairman	6,104	8,000
Heikki A. Ollila, II Vice Chairman	6,104	8,000
Pekka Kainulainen	5,387	6,800
Mikko Långström	5,387	6,600
Susanna Rahkonen	5,187	6,400
Risto Ranki	5,387	6,800
Katri Sarlund	5,187	6,800

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.

Management's pension commitments and termination benefits

The managing director of Kemira Oyj until the end of 2007, Lasse Kurkilahti, is entitled to retire at the age of 60. The managing director's benefit is based on an agreement according to which the maximum remuneration for the managing director is 60% of the pension-based salary. The related defined-benefit pension commitment of Kemira Oyj at December 31, 2007 was EUR 6.9 million (5.3 million).

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.

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 34. The amount of contingent liabilities on behalf of associates are presented in note 30.

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 outside companies. Sales of electricity to subsidiaries in 2007 were EUR 31.4 million (EUR 28.3 million) and to other companies EUR 1.0 million (EUR 1.9 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

21. NON-CURRENT INTEREST-BEARING LIABILITIES

	2007	2006
Loans from financial institutions	**378.9**	330.2
Loans from pension institutions	**46.2**	55.6
Other non-current liabilities to others	**6.0**	9.2
Total	**431.1**	395.1
Non-current interest-bearing liabilities maturing in		
2009 (2008)	**17.4**	20.9
2010 (2009)	**54.7**	16.4
2011 (2010)	**49.8**	83.9
2012 (2011)	**72.2**	84.2
2013 (2012)	**237.0**	189.7
Total	**431.1**	395.1
Interest-bearing liabilities maturing in 5 years or longer		
Loans from financial institutions	**199.0**	149.8
Loans from pension institutions	**35.9**	37.2
Other non-current interest-bearing liabilities	**2.1**	2.8
Total	**237.0**	189.7

The foreign currency breakdown of non-current loans is presented in Management of financial risks, Note 33.

The Group has neither debentures nor convertible or other bonds.

EUR million

22. DEFERRED TAX LIABILITIES AND ASSETS

2007	Jan. 1, 2007	Recognised in the income statement	Recognised 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**

2006	Jan. 1, 2006	Recognised in the income statement	Recognised in equity	Acquired / disposed subsidiaries	Dec. 31, 2006
Deferred tax liabilities					
Cumulative depreciation in excess of / less than plan	80.8	0.5	−1.0	−2.3	78.0
Available-for-sale financial assets	17.1	-	1.1	-	18.2
Pensions	5.3	1.0	-	-	6.3
Fair value of acquired subsidiaries *	14.7	−5.7	-	6.0	15.0
Other	4.8	5.2	−0.7	−0.3	9.0
Total	122.7	1.0	−0.6	3.4	126.5
Tax assets deducted	−22.2				−20.6
Total deferred tax liabilities in the balance sheet	100.5				105.9
Deferred tax assets					
Internal stock margin	1.3	0.5	-	-	1.8
Provisions	7.2	−0.5	-	-	6.7
Tax losses	15.5	−3.1	-	-	12.4
Pensions	0.9	2.1	-	-	3.0
Other	4.1	0.6	-	−0.3	4.4
Total	29.0	−0.4	-	−0.3	28.3
Deferred tax liabilities deducted	−22.2				−20.6
Deferred tax assets in the balance sheet	6.8				7.7

* The increase in deferred tax assets relating to the fair value measurement of acquired subsidiaries was recognised under goodwill.

EUR million

23. PROVISIONS

	Restructuring provisions	Environmental and damage provisions	Other provisions *	2007 Total
Non-current provisions				
Balance at beginning of year	0.8	15.4	47.1	**63.3**
Increase in provisions	1.9	0.6	0.2	**2.7**
Provisions used during the period	−0.6	−2.9	−42.3	**−45.8**
Provisions released during the period	−0.1	−0.1	−0.3	**−0.5**
Reclassification	-	−0.3	−0.6	**−0.9**
Balance at end of year	2.0	12.7	4.1	**18.8**
Current provisions				
Balance at beginning of year	6.3	1.4	7.8	**15.5**
Increase in provisions	1.1	−0.5	0.9	**1.5**
Provisions used during the period	−3.8	−0.3	−2.2	**−6.3**
Provisions released during the period	−1.9	-	−3.5	**−5.4**
Reclassification	-	0.3	0.6	**0.9**
Balance at end of year	1.7	0.9	3.6	**6.2**

* Year 2006 error has been corrected, Note 38.

24. CURRENT LIABILITIES

	2007	2006
Interest-bearing current liabilities		
Loans from financial institutions	**186.9**	187.8
Loans from pension institutions	**15.7**	15.7
Current portion of other non-current loans	**14.5**	14.8
Finance lease liabilities	**4.3**	3.0
Other interest-bearing current liabilities	**403.6**	287.2
Total interest-bearing current liabilities	**625.0**	508.5
Interest-free current liabilities		
Prepayments received	**9.8**	4.9
Trade payables	**229.2**	278.6
Current provisions	**6.2**	15.5
Current tax liabilities	**9.7**	14.7
Accrued expenses	**183.1**	169.8
Other interest-free current liabilities	**41.8**	54.8
Total interest-free current liabilities	**479.8**	538.4
Total current liabilities	**1,104.8**	1,046.9
Accrued expenses		
Personnel expenses	**68.8**	54.3
Items related to revenues and purchases	**36.0**	27.3
Interest	**22.6**	20.8
Exchange rate differences	**8.4**	2.0
Other	**47.3**	65.4
Total	**183.1**	169.8

EUR million

25. NET LIABILITIES

	2007	2006
Interest-bearing non-current liabilities	431.1	395.0
Interest-bearing current liabilities	625.0	508.5
Money market investments – cash equivalents	–21.5	–35.0
Cash and cash equivalents	–31.2	–41.1
Total	1,003.4	827.4

26. FINANCE LEASE LIABILITIES – MATURITY

	2007	2006
Finance lease liabilities – minimum lease payments		
Within one year	0.6	0.5
After one year but no more than five years	1.9	1.5
Over five years	1.8	1.0
Total	4.3	3.0
Finance lease liabilities – present value of minimum lease payments		
Within one year	0.4	0.4
After one year but no more than five years	1.7	1.1
Over five years	1.8	1.0
Total	3.9	2.5
Future finance charges	0.4	0.5
Total amount of finance lease liabilities	4.3	3.0

27. DEFINED BENEFIT PENSION PLANS

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 (TEL) 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). TEL 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.

	2007	2006
Balance sheet		
Liability for defined benefit plans	73.6	65.8
Receivable for defined benefit plans	–34.6	–24.6
Net liability	39.0	41.2
Income statement		
Defined benefit pension plans	7.5	8.9

EUR million

	2007	2006
Amounts recognized in the balance sheet		
Present value of funded obligations	504.6	484.9
Present value of unfunded obligations	68.8	51.9
Fair value of plan assets	–622.9	–552.3
Present value of pension obligations	–49.5	–15.5
Unrecognised past service costs	–0.2	23.8
Unrecognized actuarial gains (+) and losses (–)	88.7	56.7
Net liability	39.0	65.0
Movements in the present value of defined benefit obligation		
Liability at beginning of year	536.8	526.9
Current service costs	12.0	12.4
Interest costs	25.8	24.0
Actuarial gains (–) and losses (+)	4.7	–3.7
Exchange rate differences on foreign plan	–1.4	–1.4
The effect of companies acquired and divested during the period	21.2	–1.2
Benefits paid	–27.3	–25.3
Curtailments	-	–1.3
Settlements	1.9	5.6
Past service costs	–0.3	0.8
Liability at end of year	573.4	536.8
Movements in the fair value of plan assets		
Plan assets at beginning of year	552.3	543.3
Expected return on plan assets	28.1	26.7
Employer contributions	13.9	9.7
Actuarial gains (–) and losses (+)	39.5	1.4
Exchange differences on foreign plan	0.5	–1.0
Effect of companies acquired and divested during the period	15.9	–9.1
Benefits paid	–27.3	–24.2
Settlements	-	5.5
Plan assets at end of year	622.9	552.3
Amounts recognized in the income statement		
Current service cost	12.0	12.4
Interest cost	25.8	24.0
Expected return on plan assets	–28.1	–26.7
Past service costs	–0.3	0.8
Net actuarial gains (–) and losses for financial year (+)	–2.9	–1.6
Curtailments	1.0	-
Income statement total	7.5	8.9

The above amount, EUR 7.5 million (EUR 8.9 million), is included in employee benefits in the income statement.

	2007	2006
Actual return on plan assets		
Actual return on plan assets	67.4	28.1

EUR million

	2007	2006
Principal actuarial assumptions		
Discount rate	4.0–5.7%	4.0–8.0%
Expected return on plan assets	2.8–7.5%	2.7–7.3%
Inflation	2.0–3.4%	2.0–3.5%
Future salary increases	2.0–3.4%	2.0–4.0%
Future pension increases	1.3–3.4%	1.5–3.1%
Plan assets consist of:		
Equity instruments	336.5	315.2
Bonds and other non-current interest-bearing investments	163.7	136.7
Current interest-bearing investments	62.1	13.6
Assets in insurance companies *	29.8	29.9
Kemira Oyj treasury shares	2.6	3.1
Real estate in Group use	14.0	13.0
Other	14.2	40.8
Total	622.9	552.3

* 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 IFRS contributions (income) to post-employment benefit plans for 2008 total EUR 3,7 million.

Dec. 31	2007	2006	2005	2004
Present value of defined benefit obligation	573.4	536.8	526.9	484.3
Fair value of plan assets	622.9	552.3	543.3	492.9
Actuarial gains (+) and losses (–)	88.5	56.7	53.2	39.7
Deficit / surplus	39.0	41.2	36.8	31.1
Experience adjustments on plan liabilities	–3.4	4.0	–9.1	
Experience adjustments on plan assets	45.9	19.5	1.6	

EUR million

28. SUPPLEMENTARY CASH FLOW INFORMATION

	2007	2006
Acquisition and disposal of subsidiaries		
Acquisition of subsidiaries		
Acquisition cost	68.3	301.5
Cash and cash equivalents at acquisition date	−2.2	−4.2
Cash flow on acquisition net of cash acquired	66.1	297.3
Acquired assets and liabilities		
Net working capital	10.0	109.1
Property, plant and equipment	25.0	176.4
Interest-bearing receivables, cash and cash equivalents deducted	-	3.0
Other interest-bearing receivables	0.3	1.7
Interest-bearing liabilities	−0.8	−8.8
Interest-free liabilities	11.5	−20.8
Minority interest	-	2.2
Goodwill on acquisition	20.1	34.5
Total assets and liabilities of acquired subsidiaries	66.1	297.3
Proceeds from the disposals of subsidiary shares		
Proceeds from the disposal	19.8	42.7
Cash and cash equivalent in disposed companies	−1.1	−0.9
Total cash flow on disposals of subsidiaries	18.7	41.8
Assets and liabilities disposed		
Net working capital	0.4	4.2
Property, plant and equipment	4.2	20.8
Shares	1.0	-
Other interest-free receivables	2.3	0.5
Interest-bearing liabilities	−1.0	−1.4
Interest-free liabilities	-	−0.5
Gain / loss on disposal	11.8	18.2
Total assets and liabilities of disposed subsidiaries	18.7	41.8

EUR million

29. BUSINESS COMBINATIONS

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 business 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 allows the Group to significantly broaden its 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 is approx. EUR 198.5 million. The acquisition was financed with Kemira Group's own existing financing agreements.

In addition to the purchase of the business through the asset purchase agreement which was closed on October 1, 2006, Kemira signed a share purchase agreement to buy the shares of Cytec Manufacturing BV. The closing and payment of the share purchase agreement took place on January 11, 2007. Kemira has also signed transition service agreements with nine Cytec companies concerning certain transactional services with respect to the products of the business (Overseas units). The assets related to these transition service agreements was transferred to Kemira and paid gradually starting on April 1, 2007. One of these asset transfers was in the form of a share purchase of an existing company.

The control over the whole Cytec water treatment business was transferred to Kemira on October 1, 2006. The preliminary purchase price allocation was pending finalization of overseas units, working capital and liabilities. These matters have been finalized since then, resulting in an increase of goodwill mainly from identified defined benefit pensions according to IAS 19.

	Fair values recorded on business combination	Carrying amounts prior to business combination
Intangible assets	15.5	-
Property, plant and equipment	91.0	54.7
Inventories	28.8	27.1
Trade receivables and other receivables	40.6	40.6
Cash and cash equivalents	2.0	2.0
Total assets	177.9	124.4
Interest-bearing current liabilities	5.4	5.4
Other liabilities	18.2	18.2
Deferred tax liabilities	1.7	-
Total liabilities	25.3	23.6
Net assets	152.6	100.8
Cost of business combination (net)	198.5	
Goodwill	45.9	
Acquisition cost	198.5	
Cash and cash equivalents in subsidiary acquired	−2.0	
Cash outflow on acquisition total	196.5	
Cash outflow on acquisition 2006	166.2	
Cash outflow on acquisition 2007	30.3	
Cash outflow on acquisition total	196.5	

The revenue of the acquired unit for January 1–December 31, 2007 totaled EUR 291.3 million and operating profit EUR 12.3 million.

EUR million

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

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-currrent 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

30. COLLATERAL AND CONTINGENT LIABILITIES

	2007	2006
Loans secured by mortgages in the balance sheet and for which mortgages are given as collateral		
Loans from financial institutions	0.4	0.5
Mortgages given	1.0	0.5
Loans from pension institutions	55.8	59.9
Mortgages given	59.8	63.1
Other loans	1.1	1.1
Mortgages given	1.3	1.2
Total mortgage loans	57.3	61.5
Total mortgages given	62.1	64.8
Contingent liabilities		
Assets pledged		
On behalf of own commitments	6.0	19.5
Guarantees		
On behalf of own commitments	8.3	6.4
On behalf of associates	1.4	32.6
On behalf of others	2.8	1.4
Operating leasing liabilities		
Maturity within one year	22.4	14.9
Maturity after one year but within five years	53.4	42.9
Maturity after five years	75.6	75.2
Other obligations		
On behalf of associates	2.3	2.3
On behalf of own commitments	0.4	0.4

There were no collaterals or contingent liabilities related to managing directors, members or deputy members of the board of directors and the supervisory board during 2007 and 2006.

Major off-balance sheet investment commitments

Major amounts of contractual commitments for the acquisition of property, plant and equipment on December 31, 2007 were EUR 16 million for the investment of Kemira Coatings in Russia and EUR 3 million for the environmental investment in Pori, Finland.

Litigation

The Group has extensive international operations and is involved in a number of legal proceedings incidental to these operations.

Kemira Oyj, Kemira Chemicals, Inc. and Kemira Chemicals Canada, Inc. have received claims or were named in class action lawsuits filed by direct and indirect purchasers of hydrogen peroxide and persalts in US federal and state courts and in Canada. In these civil actions, it is alleged that the US plaintiffs suffered damages resulting from a cartel among hydrogen peroxide suppliers. To avoid further litigation costs, Kemira Oyj and Kemira Chemicals Inc. have made a settlement agreement, pending court approval, in the US direct purchaser class action. As regards the other claims and suits, the proceedings continue.

In August 2007, Finnish Chemicals Oy received from the European Union Comission a statement of objections in respect to competition law infringements by sodium chlorate producers during 1994–2000 to which statement of objections Finnish Chemicals Oy has given its reply.

EUR million

31. DERIVATIVE INSTRUMENTS

Nominal values	2007 < 1 year	2007 > 1 year	2007 Total	2006 < 1 year	2006 > 1 year	2006 Total
Currency instruments						
Forward contracts	942.9	-	942.9	389.4	-	389.4
of which hedges of net investment in a foreign operation	-	-	-	19.6	-	19.6
Currency options	123.3	-	123.3	88.1	-	88.1
Bought	65.5	-	65.5	42.8	-	42.8
Sold	57.8	-	57.8	45.3	-	45.3
Currency swaps	113.9	33.3	147.2	-	115.9	115.9
Interest rate instruments						
Interest rate swaps	75.0	99.0	174.0	15.2	94.0	109.2
of which cash flow hedge	75.0	89.0	164.0	-	83.8	83.8
Interest rate options	-	10.0	10.0	-	-	-
Bought	-	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 (GWh)	527.0	306.6	833.6	788.0	439.0	1,227.0
of which cash flow hedge (GWh)	527.0	306.6	833.6	788.0	439.0	1,227.0
Propane swap contracts (tons)	-	-	-	1,000.0	-	1,000.0
of which cash flow hedge (tons)	-	-	-	1,000.0	-	1,000.0

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	2007 Assets gross	2007 Liabilities gross	2007 Total net	2006 Assets gross	2006 Liabilities gross	2006 Total net
Currency instruments						
Forward contracts *	4.8	−6.2	−1.4	6.6	−1.1	5.5
of which hedges of net investment in a foreign operation	-	-	-	2.2	-	2.2
Currency options *	0.4	−0.1	0.3	0.4	−0.2	0.2
Bought	0.2	−0.1	0.1	0.1	−0.1	–
Sold	0.2	-	0.2	0.2	−0.1	0.2
Currency swaps	7.8	−1.3	6.5	8.4	-	8.4
Interest rate instruments						
Interest rate swaps	2.4	−0.1	2.3	4.7	-	4.7
of which cash flow hedge	2.1	−0.1	2.0	4.2	-	4.2
Interest rate options	-	-	-	-	-	-
Bought	-	-	-	-	-	-
Sold	-	-	-	-	-	-
Bond futures	0.2	-	0.2	-	−0.2	−0.2
of which open	0.2	-	0.2	-	−0.2	−0.2

EUR million

Fair values	2007 Assets gross	2007 Liabilities gross	2007 Total net	2006 Assets gross	2006 Liabilities gross	2006 Total net
Other instruments						
Electricity forward contracts (GWh)	10.0	-	10.0	10.4	-	10.4
of which cash flow hedge (GWh)	10.0	-	10.0	10.4	-	10.4
Propane swap contracts (tons)	-	-	-	-	–0.1	–0.1
of which cash flow hedge (tons)	-	-	-	-	–0.1	–0.1

* Includes also closed foreign exchange positions. The open position is shown in the hedging section of the currency risk table, Note 33.

Fair values	2007 Assets gross < 1 year	2007 Assets gross > 1 year	2007 Liabilities gross < 1 year	2007 Liabilities gross > 1 year	2006 Assets gross < 1 year	2006 Assets gross > 1 year	2006 Liabilities gross < 1 year	2006 Liabilities gross > 1 year
Currency instruments								
Forward contracts *	4.8	-	–6.2	-	6.6	-	–1.1	-
of which hedges of net investment in a foreign operation	-	-	-	-	2.2	-	-	-
Currency options *	0.4	-	–0.1	-	0.4	-	–0.2	-
Bought	0.2	-	–0.1	-	0.1	-	–0.1	-
Sold	0.2	-	-	-	0.2	-	–0.1	-
Currency swaps	7.8	-	-	–1.3	-	8.4	-	-
Interest rate instruments								
Interest rate swaps	0.1	2.3	–0.1	-	0.2	4.5	-	-
of which cash flow hedge	-	2.1	–0.1	-	-	4.2	-	-
Interest rate options	-	-	-	-	-	-	-	-
Bought	-	-	-	-	-	-	-	-
Sold	-	-	-	-	-	-	-	-
Bond futures	-	0.2	-	-	-	-	-	–0.2
of which open	-	0.2	-	-	-	-	-	–0.2
Other instruments								
Electricity forward contracts (GWh)	8.3	1.7	-	-	6.3	4.1	-	-
of which cash flow hedge (GWh)	8.3	1.7	-	-	6.3	4.1	-	-
Propane swap contracts (tons)	-	-	-	-	-	-	–0.1	-
of which cash flow hedge (tons)	-	-	-	-	-	-	–0.1	-

* Includes also closed foreign exchange positions. The open position is shown in the hedging section of the currency risk table, Note 33.

32. 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 2007, Kemira carried out due diligence analyses related to the pollution of soil and groundwater caused by the sites' previous operations.

Acquisitions and divestments did not alter the Group's overall environmental liabilities significantly. Negotiations stated in the bill of sale are underway regarding two of the five sites of the water chemicals business acquired from Cytec Inc. to divide the environmental liabilities observed in analyses.

Provisions for environmental remediation totaled EUR 13.6 million. The largest provisions had to do with the future landscaping of the dumping area connected to the Pori site, and the reconditioning of the sediment of a lake adjacent to the Vaasa plant. The reconditioning of the sold waste disposal area at the Kokkola site, for which a provision was made earlier, has now been completed.

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 4,769 carbon dioxide tons in 2007.

33. 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 foreign exchange cash flow risk in the group arises from dollar denominated exports from the euro zone. In addition, the euro denominated sales of Pigments Oy is indirectly exposed to the fluctuations in the United States dollar, as the market price of titanium dioxide is determined in dollars.

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 2007. 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.

12 month commercial flow forecast

EUR million	USD	SEK	PLN	NOK	CAD	Others
Net flow	47.1	14.2	10.6	13.7	12.9	9.4
Hedging	37.1	14.1	5.3	3.9	5.1	2.5
Exposure after hedging	10.0	0.1	5.3	9.8	7.8	6.9
Hedge ratio	79%	99%	50%	28%	40%	27%

At the turn of 2007/2008, the foreign currency operative cash flow forecast for 2008 was EUR 107.9 million, 63% of which was hedged (the hedge ratio in 2006 was 46%). 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 by about EUR 6.3 million (2006: 6.1 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.

The largest equity amounts of Group companies are denominated in Swedish krona, US dollars and Polish zlotys. 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 2007, the nominal amount of hedges of net investments in foreign operations totaled EUR 131.2 million (2006: EUR 186.6 million). All in all, these transactions correspond to an 18% hedge ratio (2006: 27%). At the end of 2007, EUR 0 million (2006: 17.4 million) in net investments in foreign entities was hedged with forward contracts and EUR 131.2 million with long-term loans (2006: 169.2 million).

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 13 months at the end of 2007 (2006: 16 months). Excluding interest rate derivatives, the duration is 8 months (2006: 10 months). At the end of 2007, 23% of the Group's entire net debt portfolio, including derivatives and pension loans, consisted of fixed-interest borrowings (2006: 29%). Pension loans are classified as fixed rate loans.

The average interest rate of the Group's loan portfolio stands at around 5.2% (2006: 4.9%). 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 average interest rate 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

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, 2008, the resulting interest expenses incurred by the Group over the next 12 months would increase by about EUR 5.8 million (2006: 4.8 million). During 2008, Kemira will re-price 84% (2006: 74%) of the Group's net debt portfolio, including derivatives. The Group's average interest rate maturity is 13 months (2006: 17 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 of a market value of EUR 2.4 million (2006: 4.7 million). Some of the interest rate swaps are used to hedge the Group's loan portfolio, and they 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 had a market value of 2.0 million at the end of 2007 (2006: 4.2 million). The Group's accounting policies section describes the Group policy regarding hedge accounting.

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. 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. If the price of electricity were not hedged and if changes occurred in production volumes or the cost structure, a change of one euro in the market price per megawatt hour would affect profit before tax by EUR 2 million within the Group (2006: EUR 3 million).

The annual price trend of propane is highly cyclical and, on average, predictable. The long-term market trend has prompted the hedging of propane purchases in order to promote stability and predictability in production costs. In hedging its propane purchases, Kemira uses propane forwards, which are treated in accordance with cash flow hedge accounting in a manner similar to that of electricity cash flow hedges. At the turn of the year 2007/2008 no propane forwards were outstanding.

Credit 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 14 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 20.3 million on the balance sheet date (2006: 40.2 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, 2007.

Kemira sells its products 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. Some customers are insured through credit insurance taken out by each business unit. In addition, documentary payments are in use, such as letters of credit. The age distribution of trade receivables outstanding at the end of 2007 is shown in the table below.

The ageing of trade receivables

EUR million	2007	2006
Undue trade receivables	308,7	364.1
Trade receivables 1–90 days overdue	82.4	60.4
Trade receivables more than 91 days overdue	22.0	11.5
Total	413.1	436.0

Impairment loss of trade receivables amounted to EUR 2.2 million (EUR 2.3 million in 2006).

Liquidity risk

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 2007 stood at EUR 52.6 million (2006: 76.2 million), of which short-term investments accounted for EUR 21.4 million (2006: 35 million) and bank deposits EUR 31.2 million (2006: 41.1 million). The unused revolving credit facility was EUR 583.3 million (2006: 566.8 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 and foreign commercial paper programs, with the objective of balancing the maturity schedule of the loan portfolio and maintaining a sufficiently long maturity for long-term loans.

The Group has a EUR 600 million domestic commercial paper program enabling it to issue commercial papers with a maximum maturity of one year. 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 2007/2008, EUR 166.7 million of this revolving credit facility was in use (2006: 183.2 million).

Capital structure management

The Group's long-term objective is to maintain the gearing ratio in the range of 40 to 80 per cent. 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 per cent of the consolidated total assets (equity ratio).

The Board of Directors will propose a per-share dividend of EUR 0.50 for 2007, corresponding to a dividend payout ratio of 95%. Without the one time write-off of 47 million euros, the dividend payout ratio is 57%. The long-term objective is to distribute 40 to 60 per cent of the net operating income in dividends to the shareholders.

EUR million	2007	2006
Interest-bearing liabilities	1,056.1	903.6
Cash and cash equivalents	52.6	76.1
Interest-bearing net liabilities	1,003.4	827.5
Equity	1,087.3	1,082.5
Total assets	2,827.9	2,769.4
Gearing	92%	76%
Equity ratio	39%	39%

Money market, investments, cash and other receivables

EUR million	2007 Book value	2007 Fair value	2006 Book value	2006 Fair value
Cash and cash equivalents	31.2	31.2	41.1	41.1
Money market investments – cash equivalents				
– current	15.0	15.0	35.0	35.5
– non-current	6.4	6.6	2.4	2.4
Total	52.6	52.8	78.6	79.0

The fair value of current receivables has been calculated by discounting the book value at an effective interest rate of 4.0%–4.6% (3.8%–4.0% in 2006). The fair value of non-current receivables is based on market prices, the effective interest rate of which varied in the range of 0.0%–4.7% (0.0%–4.2% in 2006).

EUR million

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

Currency	Dec. 31, 2007 Fair value	Dec. 31, 2007 Book value	Maturity 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

Currency	Dec. 31, 2006 Fair value	Dec. 31, 2006 Book value	Maturity 2007	2008	2009	2010	2011	2012–
EUR	279.9	279.0	143.7	18.1	5.8	4.3	19.3	87.8
SEK	87.0	86.3	0.9	0.2	-	44.3	40.9	-
USD	214.9	210.7	42.7	0.2	10.3	35.0	22.3	100.2
Other	37.5	37.4	34.5	2.0	0.1	0.1	0.1	0.6
Total	619.3	613.4	221.8	20.5	16.2	83.7	82.6	188.6

Effective interest rate varied in the range of 0.0%–12.0% (0.0%–12.0% in 2006). Figures include the amortizations planned for 2008 excluding commercial papers, finance lease liabilities and other current loans.

Cash flow from all financial liabilities

Loan type	Dec. 31, 2007 Drawn	Dec. 31, 2007 Undrawn	Maturity 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 programme	**385.9**	**214.1**	385.9	-	-	-	-	-
financial expenses			18.1	-	-	-	-	-
Other non-current i-b 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	-	-	-	-	-
Derivative liabilities	**7.7**	-	6.3	1.3	0.1	-	-	-
Derivative assets	**–25.6**	-	–21.4	–1.9	–0.6	–1.5	–0.2	-
Trade payables and derivatives	**211.3**	-	214.1	–0.6	–0.5	–1.5	–0.2	-

EUR million

Cash flow from financial liabilities

	Dec. 31, 2006		Maturity					
Loan type	Drawn	Undrawn	2007	2008	2009	2010	2011	2012–
Loans from financial institutions	430.2	-	38.6	20.5	16.2	83.7	82.6	188.6
financial expenses			22.0	20.0	19.0	18.2	13.9	9.6
Revolving credit facility	183.2	566.8	183.2	-	-	-	-	-
financial expenses			8.1	-	-	-	-	-
Finance lease liabilities	3.0	-	3.0	-	-	-	-	-
financial expenses			0.3	-	-	-	-	-
Commercial paper programme	272.0	328.0	272.0	-	-	-	-	-
financial expenses			12.8	-	-	-	-	-
Other non-current i-b loans	15.2	-	15.2	-	-	-	-	-
financial expenses			0.6	-	-	-	-	-
Interest bearing loans	903.6	894.8	555.8	40.5	35.2	101.9	96.5	198.2
Trade payables	278.6	-	278.6	-	-	-	-	-
Derivative liabilities	1.6	-	1.4	0.1	0.1	-	-	-
Derivative assets	−30.5	–	−17.6	−10.6	−0.6	−1.5	−0.2	-
Trade payables and derivatives	249.7	–	262.4	−10.5	−0.5	−1.5	−0.2	-

34. ASSOCIATED COMPANIES

			Group holding, %
Aluminium Sulphate Co. of Egypt S.A.E.	Cairo	Egypt	26.1
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
KemMaq JV	Rowley	United States	50.0
Kemwater Phil., Corp.	Manila	Philippines	40.0

Summarised financial information of associates (companies' total amounts)	**2007**	2006
Assets	**29.2**	137.4
Liabilities	**21.5**	103.0
Revenue	**22.7**	89.7
Net profit for the period	**3.0**	−3.9
The following transactions took place with associated companies:		
Sale of goods	**24.6**	32.4
Total sales	**24.6**	32.4
Purchase of goods	**23.9**	28.4
Total purchases	**23.9**	28.4

No services were sold to associates in 2007, nor were any services acquired from associates.

Receivables from associates in 2007 were EUR 3.9 million and liabilities for associates were EUR 3.6 million.

EUR million

35. JOINT VENTURES

The Group's joint ventures on December 31, 2007 are OOO Sto-Tikkurila and Alcro Parti AB. Kemira-Ube Ltd. was sold 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:

	2007	2006
Non-current assets	0.5	4.4
Current assets	1.4	6.1
Total assets	1.9	10.5
Non-current liabilities	1.1	0.7
Current liabilities	0.5	4.3
Total liabilities	1.6	5.0
Revenue	14.0	19.9
Costs	–12.9	–17.5
Depreciation	–0.5	–1.4
Income taxes	–0.4	–0.4
Net profit for the period	0.2	0.6

36. CHANGES IN GROUP STRUCTURE IN 2007

Acquired Group companies and founded subsidiaries

- Kemira established a new company, Kemira Water Solutions Brazil Ltda in Brazil in December 2006.
- Kemira established a new company, Kemira Polymers Manufacturing B.V. in the Netherlands in January.
- Kemira acquired in April TRI-K Industries, Inc. The transaction also included Maybrook, Inc, a wholly owned subsidiary of TRI-K.
- Kemira acquired Sustainable Nutrition B.V. in the Netherlands in March.
- Tikkurila acquired 70% of Dickursby Holding AB, OOO Gamma Industrial Coatings and OOO Tikkurila Powder Coatings in April.
- Tikkurila established a new company, Tikkurila (Beijing) Paints Co. Ltd, in China in April.
- Kemira acquired all shares of Empresa Lajeana Ltda and Arapoti Saneamento Ltda in April.
- Kemira acquired 80% of the shares in the company Chongqing Lanjie Tap Water Materials Co. Ltd, in April. The new name of the company will be Kemira Water Solutions (Chongqing) Co. Ltd.
- Kemira established a new company, Kemira Hong Kong Company Limited, in China in April.
- Kemira established a new company, Kemipol-Ukraina Ltd, in Ukraine in June.
- Kemira established a new company, PT Kemira Indonesia, in Indonesia in October.
- TOV Tikkurila founded a new subsidiary, Isanta LLC, in Ukraine in November.
- Kemira acquired a new company, Corporación Kemira Chemicals de Venezuela, C.A., in November.

Divested and liquidated Group companies

- Alcro-Beckers AB sold Färg AB Gamol in January.
- Kemira Kimya Sanayi ve Ticaret A.S. was sold in January.
- Imagica Limited was liquidated in March.
- Alcro-Beckers AB sold Holmbergs Färg I Skövde AB in March.
- Kemira sold OnePoint Oy in March.
- Clearway LLC was dissolved in March.
- ParconGroup companies Roma 8660 Skanderborg A/S, Gropa A/S and Storage and Production System A/S were merged to Kemira Miljö A/S in April. After that the company was renamed Kemira Water Danmark A/S.
- Sustainable Nutrition B.V. was merged to Kemira ChemSolutions B.V. and Kemira Kemax B.V. to Kemira Chemicals B.V. in May.
- Kemira Chemie GmbH was merged to Kemira PPC Germany GmbH in September.
- Kemira Chemicals Korea Corporation was liquidated in September.
- Alcro-Beckers AB sold Scanspac Holding II AB in September.
- ZAO Kemira-Novo was liquidated in September.
- Kemira Paper Chemicals Oy was liquidated in November.
- Kemira (U.K.) Ltd was dissolved in November.
- Kemira-Ube Ltd was sold in November.
- Kemira Water Chemicals, Inc. was merged to Kemira Water Solutions Inc. in December.

Changes in holdings in Group companies within the Group

- Kemira Oyj's ownership in Kemira Water Solutions Brasil Ltda increased from 80% to nearly 100% and Kemira Kemi AB's ownership decreased from 20% to less than 1% in May.
- Kemira Oyj bought the shares of Kemira Asia Pacific Pte Ltd from Kemira Pigments Oy in August.
- Kemira Oyj purchased the shares of Kemira Service Partner AB from Kemira Kemi AB in September.
- Industry Park of Sweden AB (Kemira Service Partner AB) purchased the shares of Industry Park I Helsingborg Förvaltning AB (Akvab AB) from Kemira Kemi AB in September.
- Industry Park i Helsingborg Förvaltning AB purchased the shares of Kemira Kopparverket KB from Kemira Kemi AB in September.

Name changes

Old Name	New name
Kemira Miljö A/S	Kemira Water Danmark A/S
Kemira Pigments Latin America Comercial Limitada	Kemira Chile Comercial Limitada
Kemira PPC Germany GmbH	Kemira Germany GmbH
TBD S.A.	Tikkurila Polska S.A.
Kemira Service Partner AB	Industry Park of Sweden AB
Akvab AB	Industry Park i Helsingborg Förvaltning AB
ZAO Finncolor	OOO Tikkurila
ZAO Tikkurila Coatings	OOO Tikkurila Coatings

37. NON-CURRENT ASSETS HELD FOR SALE AND DIRECTLY ASSOCIATED LIABILITIES

In connection with the strategic review process, 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. There are negotiations on going for its disposal. The loss recognised in the income statement amounts to EUR 9.2 million.

The non-current assets held for sale includes also a land area in Porkkala, Finland. The sale contract was signed in 2007 but the ownership of the land will transfer in 2008.

EUR million

38. YEAR 2006 ERROR CORRECTION

An error was discovered related to the financial statements of 2006 and has been corrected retrospectively according to IAS 8. The error was related to the calculation of the provision made for the closure of the Water Soluble business unit and, as a result of this, the provision was reported EUR 8 million too low. This has been corrected to the fourth quarter result of 2006. The income statement of full year 2006 and the balance sheet at December 31, 2006 were changed as follows:

INCOME STATEMENT	Reported 2006	Corrected 2006
Revenue	2,522.5	2,522.5
Other income from operations	59,2	59,2
Expenses	–2,256,5	–2,264,5
Depreciation	–123,5	–123,5
Operating profit	201.7	193.7
Financial income and expenses	–37,2	–37,2
Share of profit or loss of associates	–2,3	–2,3
Profit before tax	162.2	154.2
Income tax	–42,0	–42,0
Net profit for the period	120.2	112.2
Attributable to:		
Equity holders of the parent	116,6	108,6
Minority interest	3,6	3,6
Net profit for the period	120.2	112.2
KEY FIGURES		
Earnings per share, basic and diluted, EUR	0.96	0.90

BALANCE SHEET	Reported 31.12.2006	Corrected 31.12.2006
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent	1,077.9	1,069.9
Total equity	1,090.5	1,082.5
Provisions	55.3	63.3
Total non-current liabilities	623.1	631.1

39. EVENTS AFTER THE BALANCE SHEET DATE

The Group has no significant events after the balance sheet date.

Kemira Oyj Income statement (FAS)

EUR million

	1.1.–31.12.2007	1.1.–31.12.2006
Revenue	279.7	266.1
Change in inventories of finished goods	2.4	−2.0
Own work capitalised	1.9	1.5
Other operating income	30.5	15.5
Materials and services	−139.0	−125.6
Personnel expenses	−68.7	−74.0
Depreciation	−36.4	−19.2
Other operating expenses	−92.7	−115.4
Operating loss	−22.3	−53.1
Financial income and expenses	−28.9	3.8
Loss / profit before extraordinary items	−51.2	−49.3
Extraordinary items	48.7	52.0
Loss / profit before appropriations and taxes	−2.5	2.7
Appropriations	1.3	1.3
Income tax	3.9	−8.9
Net loss / profit for the period	2.7	−4.9

The Annual Report contains the Parent Company's financial statements in summary. Kemira has sent a copy of the full official financial statements to the Trade Registery. The official financial statements are also available on Kemira's internet pages.

Kemira Oyj Balance sheet (FAS)

EUR million

	31.12.2007	31.12.2006
ASSETS		
Non-current assets		
Intangible assets	26.9	23.8
Property, plant and equipment	113.2	106.9
Investments		
Holdings in subsidiaries	1,421.0	928.0
Holdings in associates	1.0	3.9
Other shares and holdings	21.1	12.9
Total investments	1,443.1	944.8
Total non-current assets	1,583.2	1,075.5
Current assets		
Inventories	19.5	15.1
Non-current receivables	323.4	452.8
Current receivables	204.8	499.7
Money market investments – cash equivalents	4.7	18.2
Cash and cash equivalents	4.6	40.8
Total current assets	557.0	1,026.6
Total assets	2,140.2	2,102.1
EQUITY AND LIABILITIES		
Equity		
Share capital	221.8	221.6
Capital paid-in in excess of par value	257.9	257.9
Retained earnings	204.5	266.8
Net profit for the period	2.7	–4.9
Total equity	686.9	741.4
Appropriations	42.1	43.3
Obligatory provisions	11.1	54.2
Liabilities		
Non-current liabilities	389.3	424.3
Current liabilities	1,010.8	838.9
Total liabilities	1,400.1	1,263.2
Total equity and liabilities	2,140.2	2,102.1

Kemira Oyj Cash flow statement (FAS)

EUR million

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating result	–22.3	–53.1
Adjustments to operating result	–6.6	–4.9
Depreciation	36.4	19.2
Interest received	44.6	42.0
Interest paid	–68.3	–44.1
Dividend received	9.2	5.4
Other financial items	–77.5	5.5
Income taxes paid	–2.6	–15.9
Total funds from operations	–87.1	–45.9
Change in net working capital		
Change in inventories	–5.1	2.6
Change in current receivables	–0.9	–0.5
Change in interest-free current liabilities	–19.9	23.5
Change in net working capital, total	–25.9	25.6
Total cash flows from operations	–113.0	–20.3
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of subsidiaries	–497.7	–69.9
Purchase of other shares	–8.2	–1.0
Purchase of other plant, property and equipment	–46.2	–29.4
Proceeds from sale of subsidiaries	1.3	26.0
Proceeds from sale of other shares	6.1	-
Proceeds from sale of other plant, property and equipment	3.6	3.0
Total capital expenditure	–541.1	–71.3
Cash flow before financing	–654.1	–91.6
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in non-current loans (increase +, decrease –)	29.5	181.1
Change in non-current loan receivables (decrease +, increase –)	263.2	–7.5
Short-term financing, net (increase +, decrease –)	316.8	–40.5
Increase in shareholdes' equity	0.2	0.4
Group contribution received	52.0	46.7
Dividends paid	–58.2	–43.6
Other	0.9	3.5
Net cash used in financing activities	604.4	140.1
Net change in cash and cash equivalents	–49.7	48.5
Cash and cash equivalents at end of year	9.3	59.0
Cash and cash equivalents at beginning of year	59.0	10.5
Net change in cash and cash equivalents	–49.7	48.5

Kemira Oyj Statement of changes in equity (FAS)

EUR million

	31.12.2007	31.12.2006
Share capital at Jan. 1	221.6	221.3
Increase (options)	0.2	0.3
Share capital at Dec. 31	221.8	221.6
Capital paid-in in excess of par value at Jan. 1	257.9	257.8
Increase (options)	-	0.1
Capital paid-in in excess of par value at Dec. 31	257.9	257.9
Retained earnings at Jan. 1	261.9	309.7
Net profit for the period	2.7	−4.9
Dividends paid	−58.2	−43.6
Share-based incentive plan; shares given	0.8	0.7
Retained earnings and net profit for the year at Dec. 31	207.2	261.9
Total equity at Dec. 31	686.9	741.4

The company owns 3,854,465 treasury shares, the nominal value of which totals EUR 6.8 million and the acquisition costs of which total EUR 26.0 million.

Change in treasury shares	EUR Million	shares
Acquisition value/share Jan. 1	26.8	3,979,670
Change	−0.8	−125,205
Acquisition value/share Dec. 31	26.0	3,854,465

Shares and share capital

On December 31, 2007, Kemira Oyj's share capital totaled EUR 221.8 million and the number of outstanding shares was 125,045,000. Each share entitles its holder to one vote at the shareholders' meeting.

During the year, the Company increased its share capital twice based on subscriptions made under the 2001 stock option program. As a result, the number of outstanding shares increased by 77,389 new shares and the share capital by EUR 0.1 million. Kemira Oyj shares are registered in the book-entry system.

Shareholders

On December 31, 2007, Kemira Oyj had 16,723 registered shareholders. At the end of 2007, Kemira held 3,854,465 million treasury shares, representing 3.1% of all outstanding company shares.

On August 29, 2007, the Finnish State sold 40,097,420 Kemira Oyj shares to Finnish investors. These shares rep-resented 32.1% of Kemira Oyj's outstanding shares. As a result of the transaction, the Finnish State's shareholding and voting rights in Kemira Oyj fell to 16.52%. The Finnish State notified that the sold shares were distributed among buyers as follows:

- Oras Invest Oy 15.60%
- Jari, Jukka and Pekka Paasikivi 1.50% (0.50% each)
- Varma Mutual Pension Insurance Company 8.00%
- Ilmarinen Mutual Pension Insurance Company 3.60%
- Suomi Mutual Life Assurance Company 1.92%
- Sampo Life Insurance Company 1.45%

Following the transaction, Oras Invest Oy and the companies owned by its owner, the Paasikivi family, became the largest individual shareholder.

In December 2007, the Finnish Parliament passed a new law regarding the State's ownership of enterprises and ow-nership steering, under which the Finnish Government is entitled to sell all Kemira shares in the State's holding wit-hout a specific decision by Parliament.

Listing and share trading

Listed on the OMX Nordic Exchange in Helsinki, Kemira Oyj's share closed at EUR 14.40, down by 15% year on year. The highest quotation was EUR 19.20 and the lowest EUR 13.11, while the share price averaged EUR 16.42.

In 2007, Kemira Oyj's share trading volume on the stock exchange totaled 151.6 million and was valued at EUR 2,492.9 million. The company's market capitalization, excluding treasury shares, was EUR 1,745.1 million at the year-end.

Dividend policy

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 0,50 be paid for the financial year 2007, accounting for a dividend payout of 95% of reported net income and 57% of net income excluding write-downs.

Board authorizations

The Annual General Meeting on April 16, 2007 authorized the Board to decide to issue a maximum of 12,500,000 new shares and/or transfer a maximum of 3,848,877 treasury shares held by the company either against payment or, as part of the implementation of the Company's share-based incentive plan, without payment ("Share issue authori-zati-on"). The new shares may be issued and the treasury shares 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 signifi-cant 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 implemen-ting 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. The subscription price of new sha-res and the amount payable for treasury shares shall be recognized under unrestricted equity. The share issue autho-rization will remain valid until the end of the next Annual General Meeting, March 19, 2008.

Management incentive plan

Kemira currently has a share-based incentive plan in use. The stock option program launched in 2001 ended during 2007.

Management share-based incentive plan

Since 2004, Kemira has had a share-based incentive plan in use. 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.

In 2006, Kemira Oyj's Board of Directors decided 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 2007 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 payments.

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, 2007, a total of 94 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.

Stock option program 2001

The Annual General Meeting on April 3, 2001, decided on a stock option program whereby members of the Company's management were entitled to receive stock options conferring the right to subscribe for a maximum of 2,850,000 Kemira Oyj shares between May 2, 2004 and 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 to Kemira Oyj's share price performance in relation to a comparison index.

The 2001 stock option program ended in May 2007. On the basis of the stock option program, a total of 2,685,000 new Kemira shares were entered in the Trade Register, 77,389 of which were subscribed for in 2007.

Management shareholding

The members of the Board of Directors as well as the President and CEO and his Deputy held 727,562 Kemira Oyj shares on December 31, 2007, or 0.58% (0.10%) of all outstanding shares and voting rights (including treasury shares and shares held by related parties and controlled corporations). Harri Kerminen, President and CEO as of January 1, 2008, held 17,167 shares on December 31, 2007. Board members are not covered by the share-based incentive plan.

Insiders

Kemira Oyj complies with the insider guidelines issued by the OMX Nordic Exchange, Helsinki. Kemira Oyj's insiders subject to disclosure requirements and Kemira's permanent insiders may not trade in Company shares during the 30 days preceding the release of the Company's interim report or financial statements bulletin.

Information on Kemira Oyj shares held by insiders subject to disclosure requirements is available for inspection within Finnish Central Securities Depository Ltd's SIRE system (address: Finnish Central Securities Depository Ltd, Urho Kekkosen katu 5 C, Helsinki), the Central Securities Depository's NetSire service, and Kemira's website.

Largest shareholders, December 31, 2007

	Shareholder	Number of shares	% of shares and votes
1	Oras Invest Oy	20,706,174	16.56
2	Finnish State	20,656,500	16.52
3	Varma Mutual Pension Insurance Company	10,917,862	8.73
4	Ilmarinen Mutual Pension Insurance Company	7,357,796	5.88
5	Nordea Bank Finland	3,413,015	2.73
6	Suomi Mutual Life Insurance Company	2,436,595	1.95
7	Henki-Sampo Insurance	1,903,089	1.52
8	OP-Delta Investment Fund	1,200,000	0.96
9	The State Pension Fund	1,200,000	0.96
10	Tapiola Mutual Pension Insurance Company	1,186,500	0.95
11	ODIN Finland Investment Fund	685,561	0.55
12	Eläke-Fennia Mutual Pension Insurance Company	635,000	0.51
13	Finow Oy	625,225	0.50
14	Nextstone Oy	625,225	0.50
15	Wate Oy	625,225	0.50
16	OP-Suomi Arvo Investment Fund	585,000	0.47
17	Veritas Pension Insurance Company	550,000	0.44
18	Etera Mutual Pension Insurance Company	540,000	0.43
19	FIM Fenno Investment Fund	461,442	0.37
20	Kaleva Mutual Insurance Company	404,900	0.32
	Kemira Oyj	3,854,465	3.08
	Nominee-registered shares	21,234,222	16.98
	Others, total	23,241,204	18.59
	Total	125,045,000	100.00

Shareholding by number of shares held, December 31, 2007

Number of shares	Number of shareholders	% of shareholders	Shares total	% of shares and votes
1–100	3,298	19.72	223,108	0.18
101–500	7,319	43.77	2,072,058	1.66
501–1,000	3,176	18.99	2,514,491	2.01
1,001–5,000	2,414	14.44	4,970,131	3.98
5,001–10,000	231	1.38	1,726,285	1.38
10,001–50,000	198	1.18	4,203,569	3.36
50,001–100,000	34	0.20	2,411,627	1.93
100,001–500,000	31	0.19	6,466,672	5.17
500,001–1,000,000	9	0.05	5,649,718	4.52
1,000,001–	13	0.08	94,807,341	75.82
Total	16,723	100.00	125,045,000	100.00
Including nominee-registered shares	11		21,234,222	16.98

Board proposal for profit distribution

On December 31, 2007 Kemira Oyj's distributable funds totaled EUR 207,238,295 of which net profit for the period accounted for EUR 2,652,277.

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 0.50 for the financial year, or a total of EUR 60,595,268.
- Retaining EUR 146,643,027 under unrestricted equity

Helsinki, February 6, 2008

Pekka Paasikivi

Eija Malmivirta	Elizabeth Armstrong
Ove Mattsson	Juha Laaksonen
Markku Tapio	Kaija Pehu-Lehtonen

Harri Kerminen
CEO

Auditors´ report

To the shareholders of Kemira Oyj

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Kemira Oyj for the period January 1 – December 31, 2007. The Board of Directors and the President and CEO have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the President and CEO of the parent company have complied with the rules of the Limited Liability Companies Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the 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 Limited Liability Companies Act.

Helsinki, February 6, 2008
KPMG OY AB
Pekka Pajamo
Authorized Public Accountant

Quarterly earnings performance

EUR million

(Unaudited figures)	2007 1–3	4–6	7–9	10–12	Total	2006 * 1–3	4–6	7–9	10–12 *	Total
Revenue										
Kemira Pulp&Paper	255.3	260.1	253.1	249.8	1,018.3	209.5	257.9	261.9	264.0	993.3
Kemira Water	170.0	185.1	187.4	188.0	730.5	92.3	102.1	101.7	171.5	467.6
Kemira Specialty	103.5	110.6	109.8	102.0	425.9	118.6	107.6	112.8	117.2	456.2
Kemira Coatings	135.8	188.7	182.3	118.4	625.2	118.6	170.3	164.6	109.3	562.8
Other and intra-Group sales	8.7	8.5	−3.1	−3.8	10.3	13.9	9.6	11.6	7.5	42.6
Total	673.3	753.0	729.5	654.4	2,810.2	552.9	647.5	652.6	669.5	2,522.5
Operating profit										
Kemira Pulp&Paper	23.0	23.4	23.6	−3.2	66.8	26.0	20.4	24.3	20.1	90.8
Kemira Water	11.9	13.0	14.9	5.2	45.0	6.4	9.6	9.0	10.3	35.3
Kemira Specialty	10.3	7.1	10.0	−13.9	13.5	11.3	11.7	11.7	11.1	45.8
Kemira Coatings	12.8	27.3	38.9	−5.9	73.1	9.6	25.0	39.0	−1.5	72.1
Other including eliminations	−9.1	−13.2	−7.9	−25.1	−55.3	−7.8	−15.2	−8.9	−18.4	−50.3
Total	48.9	57.6	79.5	−42.9	143.1	45.5	51.5	75.1	21.6	193.7
Financial income and expenses, net	−12.2	−12.6	−11.8	−15.3	−51.9	−7.1	−5.8	−11.6	−12.7	−37.2
Share of profit or loss of associates	0.6	0.7	0.6	0.2	2.1	−0.9	−0.6	0.3	−1.1	−2.3
Profit before tax	37.3	45.7	68.3	−58.0	93.3	37.5	45.1	63.8	7.8	154.2
Income tax	−10.0	−12.4	−15.4	12.0	−25.8	−10.9	−13.1	−17.9	−0.1	−42.0
Net profit for the period	27.3	33.3	52.9	−46.0	67.5	26.6	32.0	45.9	7.7	112.2
Attributable to										
Equity holders of the parent	26.4	32.3	51.8	−46.8	63.7	25.8	31.0	45.0	6.8	108.6
Minority interests	0.9	1.0	1.1	0.8	3.8	0.8	1.0	0.9	0.9	3.6
Net profit for the period	27.3	33.3	52.9	−46.0	67.5	26.6	32.0	45.9	7.7	112.2
Earnings per share, diluted, EUR	0.22	0.27	0.43	−0.39	0.53	0.21	0.26	0.37	0.06	0.90
Capital employed, rolling					2,035.8					1,876.6
Return on capital employed (ROCE), %					7.1%					10.2%

* Previous year 2006 error has been corrected.